

**CORRUPTION IN THE UNITED NATIONS OIL-FOR-  
FOOD PROGRAM: REACHING A CONSENSUS  
ON UNITED NATIONS REFORM**

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**HEARING**

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

OCTOBER 31, 2005

Printed for the use of the Committee on Homeland Security  
and Governmental Affairs



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# CONTENTS

Opening statements:	Page
Senator Coleman .....	1
Senator Levin .....	5
Senator Pryor .....	10

## WITNESSES

MONDAY, OCTOBER 31, 2005

Hon. Paul A. Volcker, Chairman, Independent Inquiry Committee (IIC) Into the United Nations Oil-For-Food Programme, New York, New York .....	11
Hon. Newt Gingrich, Co-Chair, Task Force on the United Nations, United States Institute of Peace, Washington, DC .....	26
Thomas Melito, Director, International Affairs and Trade Team, U.S. Government Accountability Office .....	37
Robert W. Werner, Director, Office of Foreign Assets Control (OFAC), U.S. Department of the Treasury .....	39

## ALPHABETICAL LIST OF WITNESSES

Gingrich, Hon. Newt:	
Testimony .....	26
Prepared statement .....	57
Melito, Thomas:	
Testimony .....	37
Prepared statement .....	102
Volcker, Hon. Paul A.:	
Testimony .....	11
Prepared statement .....	53
Werner, Robert W.:	
Testimony .....	39
Prepared statement .....	115

## EXHIBITS

1. <i>Illicit Iraqi Income 1991–2003</i> , chart prepared by the Minority Staff of the Permanent Subcommittee on Investigations .....	122
2. <i>OFAC Chronology</i> , chart prepared by the Minority Staff of the Permanent Subcommittee on Investigations .....	123
3. a. Witness Statement of Oil Trader #2. (Redacted by the Permanent Subcommittee on Investigations.) .....	124
3. b. <i>SEALED EXHIBIT</i> : Witness Statement of Oil Trader #2 .....	*
* Retained in the files of the Permanent Subcommittee on Investigations	

## ADDITIONAL MATERIAL

Report Concerning the Testimony of George Galloway before the Permanent Subcommittee on Investigations, prepared by the Majority Staff of the Permanent Subcommittee on Investigations .....	126
Supplemental Report on Bayoil Diversions of Iraqi Oil and Related Oversight Failures, prepared by the Minority Staff of the Permanent Subcommittee on Investigations .....	396



# **CORRUPTION IN THE UNITED NATIONS OIL-FOR-FOOD PROGRAM: REACHING A CONSENSUS ON UNITED NATIONS REFORM**

**MONDAY, OCTOBER 31, 2005**

U.S. SENATE,  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,  
COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 1:03 p.m., in room 342, Dirksen Senate Office Building, Hon. Norm Coleman, Chairman of the Subcommittee, presiding.

Present: Senators Coleman, Levin, and Pryor.

Staff Present: Raymond V. Shepherd, III, Staff Director and Chief Counsel; Mary D. Robertson, Chief Clerk; Leland B. Erickson, Counsel; Mark L. Greenblatt, Counsel; Steven A. Groves, Counsel; Matthew S. Miner, Counsel; Mark D. Nelson, Counsel; Brian M. White, Professional Staff Member; Jay Jennings, Investigator; Phillip Thomas, Detailee, GAO; Richard Fahy, Detailee, ICE; Melissa Stalder, Intern; Elise J. Bean, Staff Director and Chief Counsel to the Minority; Dan M. Berkovitz, Counsel to the Minority; Zachary I. Schram, Professional Staff Member to the Minority; and Scott MacConomy (Senator Pryor).

## **OPENING STATEMENT OF CHAIRMAN COLEMAN**

Senator COLEMAN. Good afternoon. Today, the Permanent Subcommittee on Investigations holds its fourth hearing related to its investigation into corruption and mismanagement of the United Nations Oil-For-Food Program. I am very pleased today to be joined by Ranking Member Levin, who has participated in and supported this investigation from the outset. Thank you, Senator Levin.

For the past 18 months, the Subcommittee has explored many facets of this expansive scandal. We have collected millions of pages of documents from around the globe. The Subcommittee has reconstructed complex financial transactions, exposing shady oil deals and secret kickback agreements. We have interviewed scores of witnesses, including high-level officials from the Hussein regime.

Almost a year ago, in November 2004, the Subcommittee held its first hearing entitled, "How Saddam Hussein Abused the U.N. Oil-For-Food Program." We outlined the ways that Saddam made hard cash by subverting the program through kickbacks and surcharges. Charles Duelfer, the head of the Iraqi Study Group, testified as to

how that cash permitted Saddam to rebuild his military capacity. We also heard from Juan Zarate from the Department of Treasury, who testified about the possibility that Saddam's cash was financing the Iraqi insurgency.

In February 2005, the Subcommittee held its second hearing, entitled "The U.N.'s Management and Oversight of the Oil-For-Food Program." At that hearing, we explored the effectiveness of the U.N.'s inspection agents, Cotecna and Saybolt Group. We also inquired into the procurement of the contract awarded by the United Nations to Cotecna during a time when it employed the Secretary-General's son, Kojo.

Most recently, in May, the Subcommittee held a hearing entitled "Oil For Influence: How Saddam Used Oil to Reward Politicians Under the U.N. Oil-For-Food Program." At that hearing, we exposed Saddam's use of oil allocations to reward friends of the regime, including such notables as Vladimir Zhirinovsky and George Galloway. The evidence uncovered by the Subcommittee established that those men solicited oil allocations from Iraq in return for their continued support for the brutal Hussein regime.

Today, we will look at the Oil-For-Food scandal in the context of United Nations reform. The gross mismanagement of the Oil-For-Food Program is a textbook example of the kinds of abuses that can occur in an organization lacking effective oversight, acceptable ethical standards, and accountable leadership. These shortcomings have given rise to other U.N. scandals, such as sexual abuse by peacekeepers and outright thievery by U.N. procurement officers.

A considerable degree of consensus exists on the need for U.N. reform as well as the specific reforms required. The Secretary-General himself has acknowledged as much. However, because of the structure of the United Nations and specifically the power of the General Assembly, enacting U.N. reform has proven to be more difficult than prescribing it. The failure of the recent summit to reach agreement on things such as the basic structure, membership, and mandate of a new Human Rights Council to replace the discredited Human Rights Commission is a case in point. The summit also deferred key management reforms to a later date.

The United Nations needs to make management reforms sooner rather than later if it is to prevent future scandals and restore its credibility. That is why I, along with Chairman Lugar of the Foreign Relations Committee, have introduced legislation giving the Administration additional leverage in negotiating reform at the U.N. Ambassador Bolton recently announced Administration support for our bill and I look forward to its passage. I hope today's hearing will also help move the United Nations toward immediate management reform.

Over the long term, there are other issues to be considered, particularly related to U.N. funding. Just eight countries pay 75 percent of the U.N. budget, yet have no more say in budget matters than countries that pay a fraction of 1 percent. Most U.N. contributions come in the form of assessed dues rather than voluntary contributions, which allow a country to put its funds into those parts of the U.N. organization that are most effective and take funding away from those parts that are wasteful. Perhaps the best way to ensure more efficient use of U.N. funds in the long run is to move

toward a system where each U.N. entity must make its case and compete for dollars.

I am an optimist. I believe the United Nations can be a positive force in the world. For example, Security Council cooperation following the assassination of Rafik Hariri may yet succeed in bringing positive change in Lebanon and Syria. We have a long way to go before the United Nations will be worthy of the billions of dollars entrusted to it by the American taxpayer. Make no mistake, a United Nations that refuses to reform will lose the confidence of its biggest investors.

We are fortunate to have several distinguished individuals here with us today to discuss the Oil-For-Food scandal and the imperative for U.N. reform.

Our first presenter, who has graciously agreed to come forward to brief us on his report and his call for U.N. reform, is especially important since he has been investigating the same subject matter as the Subcommittee. The Independent Inquiry Committee (IIC) chaired by Paul Volcker has spent the last 18 months conducting a massive investigation, the size and scope of which are unprecedented, to my knowledge. Mr. Volcker's committee found that more than 2,200 companies worldwide paid kickbacks to the Hussein regime totaling more than \$1.5 billion. The IIC also found that a quarter of a billion dollars in illegal surcharges were paid by oil purchasers. Mr. Volcker has been kind enough to join us today to brief us on the findings of his investigation and to give us his views as to how we should reform the United Nations.

We are also joined today by former Speaker of the House Newt Gingrich, who co-chaired the congressionally mandated, bipartisan Gingrich-Mitchell Task Force on U.N. Reform. The report of the Task Force, entitled "American Interests and U.N. Reform," is a hard-hitting analysis of many problems confronting the United Nations and the urgent need to reform the institution. The report focuses on safeguarding human rights, ending genocide, repairing and reforming the management operations of the United Nations, and several other important issues. The report concludes that U.S. leadership is essential to bring about meaningful reform and that a successful effort will require bipartisan leadership in Washington's approach to the United Nations.

Of particular significance, the report focuses on internal U.N. management reforms and concludes that the United Nations faces structural problems of oversight, accountability, management, and human resources management. It cites disagreements among U.N. member states a major contributing factor to a wide variety of internal management problems. The report also criticizes limited internal oversight, inadequate management systems, politicizing budgeting, and poor personnel practices.

The Gingrich-Mitchell Task Force recommended a reform program that includes the establishment of an authoritative Independent Oversight Board, the creation of a chief operating officer, the establishment of effective policies on whistleblower protection, and ethics disclosure standards for top U.N. officials.

In our third and final panel, we will hear from Thomas Melito of the Government Accountability Office and Robert Werner from the Department of Treasury's Office of Foreign Assets Control. Mr.

Melito will update the Subcommittee on the status of our requested review of the operations and management of the U.N. Offices of Internal Oversight Services and the U.N. procurement system. With the recent indictment of the head of U.N. procurement, this review could not be more timely and appropriate.

Mr. Werner will describe monitoring and oversight of U.S. sanction programs, including the monitoring of the Oil-For-Food Program by the Department of Treasury. I am particularly concerned about the activities of U.S. companies, such as Bayoil, which was recently indicted by the Federal authorities out of the Southern District of New York in relation to the payment of illegal surcharges to the Hussein regime. Senator Levin's leadership in exposing the illicit activities of Bayoil has been a constant feature of the Subcommittee's investigation and I am grateful for his hard work on this issue. I hope Mr. Werner's testimony today will help us understand how we can more effectively administer and enforce sanctions programs in the future.

The Oil-For-Food scandal has been documented to be one of overwhelming proportion. The blame is all-encompassing. The program was set up in a way which allowed Saddam Hussein to choose to whom he sold oil. He used this power to influence foreign policy and reward those who spoke out favorably about the regime or opposed sanctions. Ultimately, the program was a cash cow of illicit income to the regime.

Member states received millions of dollars in financial incentives to turn a blind eye to kickbacks and corruption, and that is a "b" for billions rather than millions. The Secretary-General did not report the kickbacks to the Security Council and did little to oppose the surcharges. As the U.N.'s Chief Administrative Officer, it is untenable to suggest that the Secretary-General was not ultimately responsible for those failures. Private companies, including American companies, paid the kickbacks and still made handsome profits.

One of the questions that must be asked is, did Saddam believe that the U.N. Security Council would not act against him because of the millions of dollars he had spread around to those connected to member states?

Many questions still remain about the extent of the scandal. Further legal action against those who participated in the bribery, fraud, and corruption will take many years to play out.

It is important now to learn the lessons of Oil-For-Food and turn our focus to reforming the United Nations so that such a scandal will never again occur. The Oil-For-Food scandal and other disgraceful episodes at the United Nations, such as sexual abuse in U.N. peacekeeping programs, have revealed the need for immediate and comprehensive U.N. management reform. The slow pace of U.N. internal management reform efforts, coupled with the failure of the General Assembly at the 2005 U.N. Reform Summit to approve comprehensive management reforms, raises concerns about the organization's ability at all levels to take urgently needed corrective action.

I look forward to hearing from all of our distinguished presenters, and before I turn to Senator Levin, again, Chairman Volcker, I want to thank you for giving us this briefing. We appre-

ciate the opportunity to have you come before us and explain to us what you found in your report and also talk about U.N. reform.

With that, I will turn to Senator Levin.

#### OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Mr. Chairman, thank you for many things, but also most importantly for your tenacity in examining the Oil-For-Food Program. I share your goal of strengthening the United Nations through needed management reforms and in also understanding what the Oil-For-Food Program did—it did a lot of good things, critically important things, but it also failed in a number of important ways.

The Oil-For-Food Program collected over \$64 billion in Iraqi oil proceeds, spent somewhat over half for the people's humanitarian needs, spent a little over a quarter for Kuwaiti reparations, and those were important goals. But the program was also the victim of kickback schemes that generated \$229 million in illegal surcharges on contracts to buy Iraqi oil and \$1.5 billion in payoffs on contracts selling humanitarian goods.

The kickback money is obviously a serious matter. We have put up a chart,<sup>1</sup> though, to get a full understanding of the Oil-For-Food Program and the way in which it was used by Saddam to obtain illicit income. The much-larger column on the chart is neither the kickbacks nor the surcharges. Those are the smaller columns, two of the three smaller amounts. The huge amount there, which represented the vast majority of the illicit income that went to Saddam Hussein, were from oil sales that were made openly by Saddam Hussein against the rules of the United Nations. Those oil sales, which produced the vast bulk of the illicit income to Saddam Hussein, violated rules which member states of the United Nations had adopted, and yet they took place in broad daylight, mainly to Turkey, Jordan, and Syria, with the full awareness of the world community, including the United States.

This Subcommittee has held four oversight hearings and issued six reports looking at the history of this program. While we were doing this, the Volcker Committee—and the Chairman Paul Volcker of that committee will testify here today—has conducted its own intensive review on behalf of the United Nations, issuing a number of reports with massive information as to how the Oil-For-Food Program operated and how it was abused by Saddam's illicit schemes.

The end result is that this Subcommittee has amassed a wealth of detailed information to help us analyze what went right, what went wrong, and what lessons should be learned.

First, what went right. The facts and analysis show that the Oil-For-Food Program achieved its two principal objectives. It stopped Saddam Hussein from rearming and acquiring weapons of mass destruction and it alleviated the starvation and massive health crisis that was overwhelming the Iraqi people. It is important to realize that international sanctions can work. They did work with Iraq.

<sup>1</sup> See Exhibit No. 1, a chart entitled "Illicit Iraqi Income 1991–2003," which appears in the Appendix on page 122.

Now, that was the conclusion of the State Department and of the Volcker Committee.

Indeed, last year, the former U.S. Ambassador to the United Nations and Iraq, the current Director of National Intelligence, John Negroponte, said the following: "The U.S. Government supported the program's general objective of creating a system to address the humanitarian needs of the Iraqi civilian population while maintaining strict sanctions enforcement of items that Saddam Hussein could use to rearm or reconstitute his WMD program. And," Mr. Negroponte stated, "we believe the system that the Security Council devised by and large met those objectives."

In a report released in September, the Volcker Committee concluded, "The food supplies provided through the Oil-For-Food Program reversed a serious and deteriorating food crisis, preventing widespread hunger and probably reducing deaths to which malnutrition was contributing." In terms of numbers, it can be estimated, for example, that there were some 360,000 fewer malnourished children in 2000 than there would otherwise have been.

The Oil-For-Food Program's achievements have been largely overshadowed by the corrupt actions taken by Saddam Hussein to undermine and to profit from the program. His corrupt acts included requiring companies that bought Iraqi oil to pay an illegal surcharge of 30 cents per barrel to Iraq instead of to the U.N. escrow account. That netted his regime about \$229 million, and we can see that item on the chart.

Also, companies selling to Iraq humanitarian goods purchased with the oil sale proceeds paid Saddam a 10 percent kickback disguised as a so-called "after-sale service charge" or "inland transportation fee." Those kickbacks produced more than \$1.5 billion for Saddam's regime. We can see that column, as well, on the chart. The Volcker report released last week indicates that about half of the 4,500 companies that were active in the Oil-For-Food Program ended up making payoffs to the Saddam regime.

But the biggest source of illicit revenue to Saddam Hussein throughout the sanctions period was from oil that Iraq sold to its neighbors, mainly Jordan, Turkey, and Syria, and demanded that they pay Iraq directly for the oil instead of paying into the U.N. escrow account. And although those oil sales were blatant violations of the U.N. sanctions on Iraq, for more than a decade the United States and other U.N. countries looked the other way and allowed them to continue.

The United Nations is not a law enforcement agency. It can't prosecute anybody. It is completely dependent on its member countries to police their nationals. Right now, there are no effective mechanisms for the United Nations to compel individual member countries to do what they should, and we will be interested to hear from today's witnesses as to how to tackle that problem.

We have to look not just at Saddam's conduct and the conduct of the private sector which paid him kickbacks. In other words, we also have to look at our own country's and other countries' failures.

In battling Saddam's attempted corruption of the Oil-For-Food Program, the United States did some good as well as looking the other way for some things that should not have been allowed. On the good side of the equation, the United States helped to devise



a way to stop Iraq from manipulating the official selling price of Iraqi oil to facilitate the payment of illegal surcharges. In other words, the selling price was set by the United Nations, and the United States took a leadership role in this, to prevent Saddam from manipulating the selling price in order to obtain surcharges.

But in other cases, the United States fell down on the job. For instance, we failed to do much of anything to ensure that U.S. persons were not paying illegal surcharges to the Saddam regime. The Minority staff report, which I have just released, describes the case of Bayoil, an American company that was the largest importer of Iraqi oil into the United States during the Oil-For-Food Program. And, by the way, the United States was the principal consumer of Iraqi oil during the program, importing over 50 percent of all the oil that left that country.

The Bayoil case provides a stark history of inaction, inattention, and abdication of responsibility by United States authorities charged with enforcing sanctions against Iraq. We are going to go into that in some detail, but the bottom line is this—and I would ask that my entire statement be put in the record in this regard, Mr. Chairman.

Senator COLEMAN. Without objection.

[The prepared statement of Senator Levin follows:]

#### PREPARED STATEMENT OF SENATOR CARL LEVIN

For the past two years, a body of evidence has been building about what went right and what went wrong with the United Nations Oil-for-Food Program, one of the most ambitious undertakings in recent years by the international community.

The Oil-for-Food program collected over \$64 billion in Iraqi oil proceeds, spent \$34 billion on the Iraqi people's humanitarian needs, and spent another \$18 billion on Kuwaiti reparations. The program was also the victim of kickback schemes that generated \$229 million in illegal surcharges on contracts to buy Iraqi oil and \$1.5 billion in payoffs on contracts selling humanitarian goods.

While \$1.8 billion in kickback money is a serious matter, as this chart shows, the illicit income generated from Oil-for-Food contracts was dwarfed by the \$10 billion in illicit income that Saddam Hussein obtained from making sales of oil outside of the Oil-for-Food program. These oil sales took place in broad daylight, mostly to Turkey, Jordan, and Syria, with the open acknowledgment of the world community, including the United States.

To date, this Subcommittee has held four oversight hearings and issued six reports which, among other matters, present case histories examining the payment to Saddam Hussein of illegal surcharges on Iraqi oil sales and of illegal kickbacks on Iraqi humanitarian contracts, the manipulation of Iraqi oil allocations to funnel money to political groups and individuals who supported Saddam Hussein, and Iraq's illegal sale of 7 million barrels of oil to Jordan at an unauthorized port called Khor al Amaya while the United States and other U.N. member nations looked the other way. To compile this information, the Subcommittee staff reviewed thousands of documents and conducted scores of interviews, including sending a team to Baghdad to interview former Iraqi officials.

At the same time, the Volcker Committee, whose Chairman Paul Volcker will testify here today, has conducted its own intensive review, issuing five reports with massive information about how the Oil-for-Food program operated and how it was abused by Saddam's illicit schemes. Before that, the U.S. Iraqi Survey Group headed by Charles Duelfer issued the first report that detailed key aspects of the OFF program.

The end result is that the Subcommittee has amassed a wealth of detailed information to help us analyze what went right, what went wrong, and what lessons should be learned.

First, what went right. The facts and analysis show that the Oil-for-Food program achieved its two core objectives. It stopped Saddam Hussein from rearming and acquiring weapons of mass destruction, and it alleviated the starvation and massive health crisis that was overwhelming the Iraqi people. It is important to realize that international sanctions can work and did work here.

That has been the conclusion of both the U.S. State Department and the Volcker Independent Inquiry Committee. Last year, for example, former U.S. Ambassador to the United Nations and Iraq, and current Director of National Intelligence John Negroponte testified:

“The U.S. Government supported the program’s general objective of creating a system to address the humanitarian needs of the Iraqi civilian population, while maintaining strict sanctions enforcement of items that Saddam Hussein could use to rearm or reconstitute his WMD program. We believe the system the Security Council devised by and large met those objectives.”

In a report released in September, the Volcker Committee concluded:

“The food supplies provided through the [Oil-for-Food program] reversed a serious and deteriorating food crisis, preventing widespread hunger and probably reducing deaths to which malnutrition was contributing. . . . In terms of numbers, it can be estimated, for example, that there were some 360,000 fewer malnourished children in 2000 than there would otherwise have been.”

The Oil-for-Food program’s achievements have become largely overshadowed, however, by the corrupt actions taken by Saddam Hussein to undermine and profit from the program. His corrupt acts included requiring companies that bought Iraqi oil to pay an illegal surcharge of 30 cents per barrel to Iraq instead of to the U.N. escrow account, which netted his regime about \$229 million. (See chart) Also, companies selling Iraq humanitarian goods purchased with the oil sale proceeds paid Saddam a 10% kickback disguised as a so-called “after sale service charge” or “in-land transportation fee.” Those kickbacks produced more than \$1.5 billion for the Hussein regime. The Volcker report released last week indicates that over 2,200 companies, or about half of the 4,500 companies active in the OFF program, ended up making payoffs to the Hussein regime.

The biggest source of illicit revenue to Saddam Hussein throughout the sanctions period was from oil that Iraq sold to its neighbors, mostly Jordan, Turkey, and Syria, and demanded that they pay Iraq directly for the oil instead of paying the U.N. escrow account. These oil sales produced for Iraq illicit income totaling nearly \$10 billion. Although these oil sales were blatant violations of the U.N. sanctions on Iraq, for more than a decade the United States and other U.N. countries looked the other way and allowed them to continue.

Saddam Hussein was intent on lifting the U.N. sanctions that were frustrating his efforts to rearm Iraq. Over the years, he succeeded in generating billions of dollars in illicit revenues outside of the Oil-for-Food program. He also corrupted thousands of companies and damaged the reputation of the United Nations.

While the United Nations was a target and a victim of Saddam Hussein’s corruption, it also deserves a measure of blame for some of the problems that existed with the Oil-for-Food program and the illicit oil sales that circumvented it. The head of the Oil-for-Food program appears to have accepted bribes, and management weaknesses, including weak auditing, procurement, and personnel functions left the United Nations open to abuse by a determined and corrupt foe. At the same time, there is little evidence that Saddam was actually able to influence the foreign policy of any country—let alone the Security Council of the United Nations—through any of the schemes he devised for that purpose.

One lesson to be learned from the Oil-for-Food investigations is that the United Nations needs to strengthen its oversight efforts. It needs a strong, independent, and adequately funded auditor of U.N. programs. It needs a stronger, more transparent procurement system and contract bidding process. It needs stronger conflicts of interest prohibitions for U.N. personnel. And it needs specific anti-corruption measures designed to protect programs, detect problems, and refer suspicious conduct to member countries for further action.

Another lesson that ought to be learned is that the United Nations is not a law enforcement agency. It cannot prosecute anyone. It is completely dependent upon its member countries to police their nationals. Right now, there are no effective mechanisms for the United Nations to compel individual member countries to do what they should, and I will be interested to hear from today’s witnesses about how to tackle that problem.

Another lesson is one learned from evaluating the conduct of our own government. In some cases, the United States was a leader in battling Saddam’s attempted corruption of the OFF program, for example, by helping to devise a way to stop Iraq from manipulating the official selling price of Iraqi oil to facilitate the payment of illegal surcharges. In other cases, however, the United States fell down on the job.

For example, the United States failed to do much of anything to ensure that U.S. persons were not paying illegal surcharges to the Hussein regime. The Minority Staff report I have just released describes the case of Bayoil, an American company that was the largest importer of Iraqi oil into the United States during the Oil-for-

Food program. The United States was the principal consumer of Iraqi oil during the program, importing over 50% of all oil that left that country. The Bayoil case provides a stark history of inaction, inattention, and abdication of responsibility by U.S. authorities charged with enforcing sanctions against Iraq.

In early 2001, the U.N. Oil Overseers—the oil industry experts employed by the United Nations to help oversee Iraqi oil sales—became concerned over reports that purchasers of Iraqi oil were delivering and selling that oil in unapproved markets. This issue was important, because the price of Iraqi oil was set, in part, according to where the oil was supposed to be delivered. Oil sent to North America, for example, was priced lower than oil sent to Europe, in part to compensate for the cost of transporting the oil across the Atlantic Ocean. U.N. contracts required oil purchasers to actually deliver the oil to the specified destination. Absent those requirements, Iraqi oil purchasers could, for example, sell lower-priced oil that was supposed to be sent to North America in the higher-priced European market, making not only unintended profits, but also cheating the U.N. escrow account out of money that should have been paid for the higher-priced oil sold in Europe—money that would have been spent on the humanitarian needs of the Iraqi people.

In early 2001, the U.N. Oil Overseers were especially concerned about destination switching, because Saddam Hussein had just imposed illegal surcharges of 25 or 30 cents per barrel of Iraqi oil, and the Oil Overseers were worried that destination switching was being used to obtain the illicit revenues needed to pay the illegal surcharges.

The Oil Overseers asked Bayoil, among others, for documentation proving that the oil they bought had actually been delivered to the destinations specified in their contracts. After Bayoil repeatedly refused to cooperate, the U.N. Oil Overseers asked the U.S. State Department for help.

On August 17, 2001, the State Department, in turn, asked the U.S. Department of Treasury's Office of Foreign Assets Control or "OFAC"—the agency charged with enforcing U.S. sanctions regimes—to require Bayoil to give the United Nations the information it wanted about specific oil shipments. Five months later, after no information was forthcoming, the U.N. Oil Overseers again asked the U.S. State Department for help, and the State Department again simply passed the request on to OFAC with no follow through.

Finally, eight months after the U.N. Oil Overseers first asked for help, OFAC wrote to Bayoil in April 2002, and made a general request that the company provide a report on its licensed activities in Iraq. OFAC failed to ask Bayoil for the information requested by the United Nations about specific oil shipments and failed to instruct Bayoil to cooperate with the U.N. Oil Overseers. In May, Bayoil responded that it had no licensed activities in Iraq, because it had no direct oil sales contracts with Iraq, and assumed OFAC was not asking about its other, indirect purchases of Iraqi oil. OFAC never followed up, except to ask Bayoil's permission to forward its non-responsive letter to the United Nations. Bayoil wrote that its letter could be given to the State Department, but not to anyone else, including the United Nations. In the end, OFAC never even provided Bayoil's letter to the State Department, much less to the United Nations.

As today's Minority Staff report demonstrates, the Bayoil information that had been sought by the United Nations from the United States in 2001 and 2002, was significant. Records later obtained by the Subcommittee indicate that, in 2001, Bayoil switched destinations on at least two shipments carrying over 4 million barrels of Iraqi oil and obtained at least \$7.5 million in illicit income from this transatlantic shell game. Bayoil obtained those millions at the expense of the U.N. escrow account for the humanitarian needs of the Iraqi people, and improperly paid millions of dollars in higher fees to the companies that provided that oil. Those companies, in turn, paid millions of dollars in illegal surcharges demanded by Saddam Hussein.

By failing to respond to the United Nations' repeated requests for assistance in monitoring and enforcing the Oil-for-Food program requirements, U.S. authorities impaired the oversight of the OFF program and efforts to deter the payment of illegal surcharges to Saddam Hussein.

OFAC was not merely negligent in failing to assist the U.N. Oil Overseers, it also abdicated its responsibility to enforce its own regulations.

The Oil for Food program shows that international sanctions can work. It also shows how a determined country can damage the United Nations by tainting its programs with fraud. And it shows how important it is that all U.N.-member nations vigilantly enforce the sanctions regime. I commend Chairman Coleman for his tenacity in examining this program, and I also share his goal of strengthening the United Nations through needed management reforms.

Senator LEVIN. But the bottom line is this. We knew, the United States knew and other nations of the United Nations knew that oil was being sold directly to a number of countries by Iraq, circumventing the Oil-For-Food Program, which required that oil be sold by Iraq according to a very clear structure and that the money be deposited in a U.N. escrow account so that it could be spent for humanitarian purposes. Those requirements, those United Nations rules that we agreed to and helped put in place, were clearly violated and helped to produce over \$10 billion that went into Saddam Hussein's pocket.

And when the United Nations asked us, the United States, for information that would allow it to enforce its sanctions, I am afraid that the Treasury Department and OFAC ignored the request. We ignored the pleas, the urgent pleas from the United Nations that we provide it information on Bayoil and what those shipments were because the United Nations had the clear hunch, and we could have proven that if we had pressed Bayoil for the information that a number of Bayoil sales—and we are just talking here about Bayoil—but that a number of Bayoil sales clearly circumvented the U.N. rules.

We have got to try to figure out how we can do better when it comes to our country and other countries enforcing sanctions, because again, it takes the member nations of the United Nations to enforce these sanctions. The United Nations cannot enforce them on their own.

Mr. Chairman, again, I want to commend you and thank you. You have shown tenacity here, leadership, sometimes despite some criticism from certain places overseas, and you have stayed the course and we commend you for it.

Senator COLEMAN. Thank you, Senator Levin.

Senator COLEMAN. Senator Pryor.

#### **OPENING STATEMENT OF SENATOR PRYOR**

Senator PRYOR. Mr. Chairman, I just ask that my statement be part of the record.

Senator COLEMAN. Without objection.

[The statement of Senator Pryor follows:]

#### **PREPARED STATEMENT OF SENATOR PRYOR**

Thank you, Mr. Chairman. The oil for food program was the centerpiece of a long-standing U.N. Security Council effort to alleviate human suffering in Iraq while maintaining key elements of the 1991 Gulf war-related sanctions. In order to ensure that Iraq remained contained and that only humanitarian needs were served by the program, the program imposed controls on Iraqi oil exports and humanitarian imports. All Iraqi oil revenues legally earned under the program were held in a U.N.-controlled escrow account and were not accessible to the regime of Saddam Hussein.

The program was in operation from December 1996 until March 2003. Observers generally agree that the program substantially eased, but did not eliminate, human suffering in Iraq. However, growing regional and international sympathy for the Iraqi people resulted in a pronounced relaxation of regional enforcement—or even open defiance—of the Iraq sanctions. The United States and other members of the United Nations Security Council were aware of billions of dollars in oil sales by Iraq to its neighbors in violation of the U.N. sanctions regime and outside of the OFFP, but did not take action to penalize states engaged in illicit oil trading with Saddam Hussein's regime. Until 2002, the United States argued that continued U.N. sanctions were critical to preventing Iraq from acquiring equipment that could be used to reconstitute banned weapons of mass destruction (WMD) programs. In 2002, the Bush Administration asserted that sanctions were not sufficient to contain

a mounting threat from Saddam Hussein's regime and the Administration decided that the military overthrow of that regime had become necessary.

The program terminated following the fall of Saddam Hussein's regime, the assumption of sovereignty by an interim Iraqi government on June 28, 2004, and the lifting of Saddam-era U.N. sanctions. However, since the fall of the regime, there have been new allegations of mismanagement and abuse of the program, including allegations that Saddam Hussein's regime manipulated the program to influence U.N. officials, contractors, and politicians and businessmen in numerous countries. New attention also has been focused on Iraq's oil sales to neighboring countries outside the control or monitoring of the U.N. OFFP. I am pleased that the Subcommittee is holding this important hearing and I look forward to the testimony of our distinguished panel of witnesses.

Senator COLEMAN. Chairman Volcker, it is a great pleasure to have you with us. Again, I thank you for accommodating us with the opportunity to hear from you and to be briefed on your inquiry and your focus on recommendations for U.N. reform.

**BRIEFING BY HON. PAUL A. VOLCKER,<sup>1</sup> CHAIRMAN, INDEPENDENT INQUIRY COMMITTEE (IIC) INTO THE UNITED NATIONS OIL-FOR-FOOD PROGRAMME, NEW YORK, NEW YORK**

Mr. VOLCKER. Thank you, Mr. Chairman, Senator Levin, and Senator Pryor. As you are aware, the Independent Inquiry Committee of the United Nations into the United Nations Oil-For-Food Program last Thursday issued its final report. It is rather a substantial volume, as you can see here. In that light, your request for an informal briefing is timely, and as chairman of the committee, I am glad to respond.

In doing so, I should emphasize that our inquiry has been an international effort. My two fellow committee members are Justice Richard Goldstone, widely known and respected for leading investigations both in South Africa and for war crime tribunals, and Professor Mark Pieth from Switzerland, who has actively led work in the OECD and elsewhere on efforts to curb corporate corruption and money laundering. Over half of our roughly 75-person staff of attorneys, investigators, forensic accountants, and administrators is from 27 other countries.

On September 7, we issued a lengthy report reviewing in detail the overall management of the Oil-For-Food Program by the Security Council, the U.N. Secretariat led by Secretary-General Kofi Annan, and nine U.N.-related agencies. Each of those bodies had substantial and often overlapping responsibilities for implementing the program. That detailed report concluded that the Administration by the Security Council, the Secretariat, and certain U.N. agencies failed in important respects and was indeed marred by corruption. I draw your attention particularly to the brief preface to that report, which has been made available to Subcommittee members.

Our even larger final report reviews the program from a different angle. Specifically, it describes the ways and means by which Saddam Hussein, the Saddam Hussein regime in Iraq, manipulated the Oil-For-Food Program to its own ends. As a result of that manipulation and with the complicity of thousands of companies, other entities and individuals, close to \$2 billion was siphoned off illicitly into the coffers of the former Iraq regime at the expense of

<sup>1</sup>The prepared statement of Mr. Volcker appears in the Appendix on page 53.

its own suffering population. One result was to reduce the amount of funds available to the new Government of Iraq today.

Our report contains a detailed analysis and a number of specific examples of the manner in which the so-called surcharges were imposed by Iraq on those purchasing Iraq oil, while kickbacks were required from those supplying humanitarian goods under the program. What stands out to me from that analysis is not only the individual instances of corruption and failures of sufficient diligence by important U.N. contractors, important as that is. The overriding theme is the politicization of the process.

Saddam plainly chose to favor those nations, companies, and individuals that he felt, rightly or wrongly, would assist his efforts to end the sanctions imposed at the end of the Gulf War. It is also true, as our earlier reports have emphasized, that political differences and pressures within the U.N. organization itself, Security Council, Secretariat, and some U.N. agencies, frustrated appropriate and effective response to the manipulation and corruption of the program.

What I particularly want to emphasize is that the corruption of the program by Saddam and by many participants, and it was substantial, could not have been nearly so pervasive if there had been more disciplined management by the United Nations and its agencies. In that sense, the last report reinforces and underscores the need for fundamental and wide-ranging administrative reform, the point that we emphasized in delivering our report last month. That is, I think, the central point that emerges from our whole inquiry.

Let me try to put this in perspective. The Oil-For-Food Program presented a very large, very complicated challenge to the United Nations. It was the mother of all U.N. humanitarian programs. It involved more financial flows than all the ordinary operations of the organization. Thousands of new employees were required and hired, and the Oil-For-Food Program was not just a humanitarian program, it was an integral part of the effort to maintain sanctions against Iraq and to keep Saddam from obtaining and maintaining weapons of mass destruction.

In both of these objectives, humanitarian and security, it had a measure of success, but that success came with a high cost—in my judgment, a really intolerable cost—of grievously wounding confidence in the competence and even the integrity of the United Nations.

In terms of money alone, the illicit payments to the Saddam regime within the Oil-For-Food Program were dwarfed by Iraq oil trade with Jordan, Turkey, and Syria, as Senator Levin has just mentioned, in violation of the Security Council sanctions. Over the years of the program, that smuggling amounted to more than \$8 billion. Including the years before the program, it was more than \$10 billion. The smuggling, at least in direction, if not in amount, became known to the Security Council and specifically to the United States, but no action was taken to deal with it. I have little doubt that laxity in that respect, a willful closing of eyes, if you will, was symptomatic of attitudes that led to lax administration more generally.

The Oil-For-Food Program may be unique, never to be repeated, but other large and complex challenges—humanitarian, environ-

mental genocidal, or others—are sure to appear alone or in combination. What is at stake is whether the organization will be able to act effectively, whether it will have the funds, the professional confidence, and the administrative leadership to respond.

Those are not just technical requirements. They are necessary to support any claim the U.N. organization can make to competence and credibility, and without credibility and confidence, legitimacy cannot be sustained.

The committee's simple conclusion is that administrative reform is, indeed, urgently needed if the United Nations is to be looked to in the future to deal with large humanitarian, environmental, genocidal, and other threats. All too often, crises come with little warning. They extend across national borders and beyond the political and management capacity of individual countries or ad hoc coalitions. Then there will be a demand for the United Nations to respond. But if the organization itself is unable to command confidence in its administrative procedures and competence and in its honesty, then it, too, will have lost its capacity to respond effectively.

In essence, we emphasize four areas where prompt reform is essential. First, in initiating and improving U.N. intervention in critical and administratively complex areas, the Security Council needs to clarify purpose and criteria. Execution could then be clearly delegated to the Secretariat and appropriate agencies with understood lines of reporting responsibility. That was lacking in the case of the Oil-For-Food Program.

Second, that delegation and the capacity to carry it out effectively will require a substantially stronger focus on administrative responsibility. Experience indicates that necessary focus and capacity is not likely to be found in the Office of the Secretary-General, as presently instituted. Secretaries-General, understandably, are preoccupied by political and diplomatic concerns. They are chosen in that light. Experience indicates that subordinate appointees, whatever their formal responsibilities for the Administration is, have simply been unable to enforce the discipline necessary.

Hence, we recommend that a position of chief operating officer should be created with the incumbent, like the Secretary-General himself, nominated by the Security Council and approved by the General Assembly. While reporting to the Secretary-General, the new COO would then have his status confirmed by direct access to the Security Council with clear authority for planning and personnel practices that emphasize professional and administrative talent.

Third, internal control, auditing, and investigatory functions need to be strongly reinforced. We believe that will require a strong independent oversight board with adequate staff support and the capacity to fully review budgeting and staffing of accounting and auditing functions.

Fourth, in large programs extending by their nature over more than one operating arm or agency of the United Nations with a common source of funds, the Security Council and the Secretary-General must demand effective coordination from the start. A clear and agreed memorandum of understanding should be reinforced by common accounting and auditing standards.

I realize that those recommendations, for the most part, mostly parallel those by others who have assessed the work of the United Nations, including the group headed by Mr. Gingrich and Mr. Mitchell. Nonetheless, I believe the IIC adds something unique to the discussion. The IIC investigation, so far as I know an investigation unparalleled in intensity of a major U.N. program, provides unambiguous evidence of a systemic problem.

I won't claim—no one can—that our review has touched every aspect of the Oil-For-Food Program with its thousands of contractors, the number of member states involved, and the difficult working environment. We do feel confident, however, in the judgment that real reform is needed. Verbal and moral support of that objective is not enough. Clear benchmarks for progress must be set, and it is the member states themselves through the General Assembly and otherwise that must drive the process.

As things stand, the United Nations simply has lost the credibility and the confidence in its administrative capacity necessary for it to meet large challenges that seem sure to arise in the future. But I believe our investigation can have a different and more satisfactory result. My hope is that it can be a catalyst, a needed springboard for a truly effective reform effort, an effort that for too long has been more a matter for talk than for action.

Thank you very much.

Senator COLEMAN. Thank you, Chairman Volcker.

First, I do want to compliment you on the report. It made for some interesting reading this weekend, but clearly, your investigators under your direction did a very thorough job of identifying a great litany of problems.

I just want to touch upon one of the comments you made in your testimony. You talked about the importance of a new COO, Chief Operating Officer. U.N. reform has been an issue of discussion going back for many years. I believe that when the position of—was it Deputy Louise Frechette's position—the Deputy Secretary-General, was one that was originally supposed to be somebody who would be responsible for reform.

So my question is, is it a structural issue? Is it one in which you actually have to have somebody appointed independent of the Secretary-General, or is it a personnel issue? If you don't have a Secretary-General focused on reform, if he doesn't pick somebody who has the capacity to do the job that at least it was anticipated they would have the powers to do, then you have a problem. So help me understand. Do you see it as a structural change or simply the personnel involved?

Mr. VOLCKER. I think it is a systemic problem in the sense that the only mention of the Secretary-General in the charter says he is the chief administrative officer and I don't think the people who designed the charter had any idea of the responsibilities that this U.N. organization would have 50 years later, 60 years later, with 191 countries. I think there are 19, now, peacekeeping operations active in the world, and we have a kind of program like the Oil-For-Food Program. In my judgment, the responsibilities of the Secretary-General are going to be focused on diplomatic and political affairs and the administrative side doesn't get the attention that it needs in a highly-politicized organization.



Now, there have been a number of attempts to deal with this. In my own memory, going back 15 years or so, Dick Thornburgh was once there as the Administrative Undersecretary. He was replaced by Mr. Connors, considered a strong executive. As you mention, Louise Frechette became Deputy Secretary-General in order to strengthen the administrative side. All of that has failed, it appears to me, because these people have not been able to assume the authority that they need to have to enforce administrative discipline in that organization. Other officials would say, look, I am an Under Secretary. I am an Assistant Secretary-General. I have as much authority as you do. That seems to me the case. And no one has been able to have the necessary kind of administrative control.

So our thought is to get somebody there that is going to have the authority. You had better get them appointed by or nominated by the Security Council and approved by the General Assembly so that he clearly has the status of strength in dealing with the organization generally. And a lot of other of these subsidiary reforms, hopefully, will follow because he will have the strength to enforce them.

Senator COLEMAN. I want to just touch a little bit, having gone through the report, on the past. Chairman Volcker, one of the things that strikes me is the kind of pattern of manipulation. I have also been struck by the responses. You have folks denying, denying, denying, up until the point that you show them a receipt with money in their bank account, a receipt or a contract that they signed with the Iraqis. I mean, the pattern is pretty clear.

One, the Iraqis kept pretty substantial documents, so they documented the surcharges. They documented to whom they gave the allocations, is that correct?

Mr. VOLCKER. Yes.

Senator COLEMAN. It is also pretty clear from the testimony of a number of individuals—Tariq Aziz being one, I think the Minister of Oil, was it Rashid, another—it made it very clear that part of the program was set up, but when they realized that they controlled who got the oil, they used the oil to benefit folks who were friendly to them or who took anti-sanctions positions, but who helped the regime, and they used this in a way to reward and perhaps encourage future, from their perspective, positive conduct. Would that be a fair statement?

Mr. VOLCKER. Yes, that is fair.

Senator COLEMAN. And so what you have then is you have the regime making decisions, Aziz and others making decisions about who gets the allocations. You have Iraqi documents that identify, these are the people who get the allocation. And then you have those folks, in effect, giving them or passing them over to companies that actually lifted the oil, Bayoils, Tauruses, and others.

And in exchange, what Bayoil would do is give a commission back to the politician or the journalist, George Galloway or Zhirinovsky, who is presently in the Russian Parliament, or others, but that was the system. They would then—some of those individuals would actually have agents operating on their behalf. Some of them didn't want to personally get the money in their pocket—

Mr. VOLCKER. It is fairly complicated.

Senator COLEMAN. But the pattern is the same, in effect, as you go through this report, a very similar pattern. Iraqis identified people who were helpful. They arranged to give them oil allocations——

Mr. VOLCKER. If I may say, that pattern became evident in the year 2000 or so when they began demanding the oil surcharges and the kickbacks. Earlier, it tended to be more direct.

Senator COLEMAN. And what you have, then, is ultimately what you were able to get and our Subcommittee got was bank records that would actually trace—and we could trace a payment from Taurus Oil to Fawaz Zuraiqat and then we trace Zuraiqat making a payment to Galloway's wife or the Marian Appeal. You had payments, I believe, to Benon Sevan, but not to him directly. I think that his wife also got payments——

Mr. VOLCKER. Well, in Benon Sevan's case, there were cash payments to him out of an intermediary account and those cash payments, at least the ones we identified, ended up in accounts in the United States in cash, both to him and his wife.

Senator COLEMAN. I think in regard to Zhirinovsky, the Russian, I think there were payments to his son——

Mr. VOLCKER. I don't remember that one.

Senator COLEMAN. But in any case, the pattern of payments, either to an individual or somebody, was not unusual. That was the pattern. And the Iraqis whom you spoke with, whether it was Aziz or the Minister of Oil, again, they said this was a system and the system for them worked.

My question is, did the Iraqis believe that they were able to impact the conduct of member states as a result of this system of kickbacks and oil allocations?

Mr. VOLCKER. I think all I can say is they were trying. I don't know whether they did or whether they didn't, and that would be a matter, I am sure, of some dispute. But I don't think there is any question that the evidence shows that in many cases, anyway, in making these so-called allocations, they thought of it as rewarding, and I presume encouraging, people that would publicly or otherwise be taking a position they interpreted as favorable to Iraq.

Senator COLEMAN. In particular with the Russians, who I believe got \$19.3 billion worth of oil allocations. They were very active in trying to lift the sanctions and they opposed the U.S. and British efforts to impose retroactive pricing.

Mr. VOLCKER. Well, that is true. What the cause and effect is, of course, it is hard to know what people hide in their mind. But they undoubtedly thought that they were rewarding people in a country that was taking positions friendly to them.

Senator COLEMAN. And is your own sense that, just your own opinion that they were successful——

Mr. VOLCKER. I can't speculate on that. I'm not sure that behavior changed.

Senator COLEMAN. Let me, in the time I have, talk a little bit about reform. Unfortunately, your report came out right after the last meeting with the United Nations.

Mr. VOLCKER. Yes.

Senator COLEMAN. Were you in contact with U.N. officials before the report came out? Did they understand the scope and mag-

nitude? I mean, you had a number of reports. That last report, were they aware of what you were going to find before it was published?

Mr. VOLCKER. Well, they certainly are aware we were finding many difficulties and were going to make recommendations. I had indicated to the Secretary-General when I took this job in the first place that I wasn't going to do it unless we could make recommendations when we got finished, so they weren't surprised we made recommendations.

I don't remember just when we may have talked with them about these two specific recommendations which are kind of at the heart of it. There couldn't have been any doubt in their mind that we were going to criticize their control apparatus and the lack of independence and strengths of the auditing department and strengths of the inspection department because they were subjects of earlier reports. So there wouldn't have been any doubt in their mind about that. I don't remember the Chief Operating Officer idea, just when I introduced that to them.

Senator COLEMAN. But the results of the reform summit certainly don't indicate a ready acceptance of these changes, a willingness to move forward quickly. Some of the concerns that we have here is the timing that is in place—

Mr. VOLCKER. I think many of the proposals that have been talked about, including those by the Secretary-General himself, in a general way in direction parallel what we are talking about. Whether they are strong enough or effective enough is the question, and you are right. It kind of got blurred over at the time of the summit meeting. I am sorry that our report didn't come earlier, but to do the kind of job we had to do, we couldn't get it out any earlier.

But the way I look at it, anyway, is the critical time for whether they have done the job or not is not tomorrow, it is not next month, it is not even this year. By the time of the next General Assembly meeting, will some of this, the key reforms, be put in place and operating? I think there are obvious questions. It is one thing for us to say you need an independent oversight body, and I think they need it. But just how that is structured obviously involves a lot of interesting questions. The responsibilities for the Chief Operating Officer involves some interesting questions. And there is a whole flow of other questions about conflict of interest rules, ethical rules, employment rules, disclosure rules, that presumably will flow from this.

So I would rather they get it right than get it next month. But I think you are going to put down some benchmarks no later than the time of the General Assembly, next September—

Senator COLEMAN. Before next September, the United Nations will meet. There will be a budgeting session. They will set a budget going over the next couple of years. If the budget is set without the reforms included in the budget, how do you get to make the reforms?

Mr. VOLCKER. Well, some of them can be. The reforms that can be included in the budget ought to be, but I think that is a problem. The budget process probably needs to be reformed itself. That the budgetary process is cumbersome understates it. Part of the

problem, I think, is, again, nobody trusts each other, so they make a very detailed budget that is very hard to change and it is very inflexible and they do it for 2 years. All of that needs to be looked at. It is not central to our report, but I think it is part of an improved administrative structure in the United Nations. If they can get all these done by the time they do the budget, that is fine, but I am a little bit skeptical again.

Senator COLEMAN. My last question in this round, if the reforms aren't done by the time the budget is done and we come to next September and we are still where we are at today and we don't see a clear commitment, what do you recommend this Congress do?

Mr. VOLCKER. Well, I think the job of the United States and other interested countries has to be to get a critical mass of member states together to push this and some mechanism for keeping on top of it. And I think the United Nations has to recognize that if there is no reform, it has budgetary consequences. I don't like the idea of just the United States unilaterally cutting off money in a very disruptive way, but I think, inevitably, if the reforms aren't made, it should be not just the United States, but other countries worrying about how their money is being spent and it will affect a willingness to finance new programs. It will affect willingness to cut off old ones. I think it should be a continuing process. But I hope it comes out otherwise so that there is more confidence in the institution so that appropriate new initiatives might be taken.

Senator COLEMAN. Thank you, Chairman Volcker. Senator Levin.

Senator LEVIN. Thank you, Mr. Chairman.

You indicated in your written testimony that the Oil-For-Food Program had two principal objectives, is that correct?

Mr. VOLCKER. Yes.

Senator LEVIN. Now, despite some of the corruption which you have identified here that Saddam engaged in and that others engaged in, did the Oil-For-Food Program basically meet its core objectives?

Mr. VOLCKER. Yes, it certainly contributed to the core objective of the sanction regime, which was to maintain the sanctions without unduly harming the Iraqi population. It certainly contributed to that objective, yes.

Senator LEVIN. And did the sanctions regime ever get loosened or removed by the United Nations? Did Hussein succeed in removing sanctions?

Mr. VOLCKER. Well, the sanctions were liberalized by agreement to permit more goods to flow in, but they obviously were maintained strongly enough so they didn't have weapons of mass destruction, which was the object of the exercise.

Senator LEVIN. There was, as you have indicated in your written testimony, about \$10 billion in oil sales that went to Jordan, Syria, and to Turkey. These were in violation of U.N. sanctions and represented about 80 percent of the illicit Iraqi income. Is that correct so far?

Mr. VOLCKER. Yes.

Senator LEVIN. All right. Now, how do we stop that? This is a matter of the nations of the United Nations looking the other way, as you have pointed out.

Mr. VOLCKER. It is interesting. By U.S. law, if the U.S. Administration was aware of this, which they were to some extent—I don't know if they were aware of the volume, they were certainly aware of the destination—they had to notify the Congress because by law, a country that is violating U.N. sanctions is not eligible for assistance from the United States.

Senator LEVIN. And as a matter of fact——

Mr. VOLCKER. But if Congress was notified, I don't know how it was notified. I think it was notified by a messenger in the dark of the night or something——

Senator LEVIN. No, they were notified.

Mr. VOLCKER. They were notified. I know they were notified. What notice the Congress took, I don't know.

Senator LEVIN. Well, formal notice, a letter to Congress. We were notified that all of this money, \$10 billion, was going into Saddam's pockets——

Mr. VOLCKER. That is correct.

Senator LEVIN [continuing]. In violation of U.N. sanctions. The Administration decided to look the other way, notified Congress, and we decided to look the other way, is that fair?

Mr. VOLCKER. Well, yes, and it is interesting, as I understand it, a sanctions regime itself has built-in provisions where an individual country might be exempted or limited in an exemption if it pleads particular need or particular hardship. But for some reason, that wasn't done. It was just people looked the other way, as you say, instead of openly recognizing it and making an exception. Why that was, I don't know.

Senator LEVIN. There was one other area where we looked the other way and that was the area of kickbacks. Is it not true that—do you know, from your own investigation, as to whether or not when the United Nations asked the Administration for information relative to the Bayoil sales, that the Administration did not provide the United Nations with the information that it would have needed to investigate kickbacks?

Mr. VOLCKER. I, frankly, don't recall that point exactly right——

Senator LEVIN. This is the OFAC chronology.<sup>1</sup> Have you read our report on that, the requests that went from the United Nations to the U.S. Administration asking for information relative to the Bayoil sales? Are you familiar with that?

Mr. VOLCKER. Well, maybe I should be familiar, but I don't remember all those details.

Senator LEVIN. But do you remember, in general, that there were requests from the U.N. oil overseers to the U.S. Administration requesting information about Bayoil sales that they had evidence were in violation of U.N. rules? Is that something you looked into, or——

Mr. VOLCKER. I certainly should remember that, but I must confess, I don't know whether it is in our report or not.

Senator LEVIN. If you are not sure, then I won't—you suggested in this afternoon's testimony, but also in an interview last Wednesday that was reported in the *New York Times* that by tolerating

<sup>1</sup> See Exhibit No. 2 which appears in the Appendix on page 123.

large-scale oil sales—I am going back to the oil sales, now—that were in violation of the sanctions.

Mr. VOLCKER. Right.

Senator LEVIN. I am going back to that point. You suggested in that interview and in your testimony here today that by tolerating those large-scale oil sales outside of the U.N. sanctions, that this compromised the Security Council's willingness to intervene.

Mr. VOLCKER. Right.

Senator LEVIN. Can you explain that in greater detail, what you meant?

Mr. VOLCKER. Well, this is perhaps a surmise on my part, but it is clear that the Security Council and the 661 Committee knew about the so-called smuggling in the case of Jordan and later in the case of Turkey. Why no more explicit action was taken to deal with that, I don't know. But it seems to me that having not taken action in that area, it is a little harder to come back and be very strict about other violations of the sanctions, but that is a surmise on my part.

Senator LEVIN. Do any of your reforms get to the problem of nations not enforcing sanctions where it is their responsibility to enforce sanctions? We have a law that prohibited Bayoil from doing what it did. How does the United Nations get member states to either enforce its own laws or to help enforce U.N. sanctions?

Mr. VOLCKER. Well, my understanding is that the United Nations has a long history of sensitivity, I suppose, to national sovereignty, which small countries are concerned with, but the United States has often argued that itself, as I understand it, in terms of some intended U.N. actions. But in sanctions, it is left, as I understand it, to the individual countries to enforce the sanctions, to enforce the anti-smuggling.

In this case, what I don't understand is as this became known, and it became known to the United Nations, it became known to the U.N. inspectors, the U.N. inspectors had no responsibility to deal with it, but they could have brought it to the attention of the U.N. officials and the U.N. officials could have pressed harder in terms of the Security Council about a decision, but that wasn't done.

Senator LEVIN. And did the member states insist on that being done?

Mr. VOLCKER. No. The member states did not insist upon it being done, quite obviously.

Senator LEVIN. And your report, when it comes, again, to the responsibility of member states points out that four, and this is on page 115 of your report and this goes back to the Bayoil question, that four traders and companies financed and lifted over 60 percent of the Iraqi crude oil during exporting crisis in Phase 9. The top financiers of Iraqi crude oil in that phase were Bayoil and three other companies. That is in your report, is that correct?

Mr. VOLCKER. Yes. If it is in our report, I am sure it is correct.

Senator LEVIN. The largest oil trader of the group and the only U.S. company out of the four was Bayoil, is that correct?

Mr. VOLCKER. Yes.

Senator LEVIN. So your report does make reference to the Bayoil activity.

Mr. VOLCKER. It certainly does. But if I may make one comment in that general connection, the critical time for this corruption of the system was in 2000, when the surcharges were put on, the kickbacks were put on, and that is the time when something should have been done. At that time, the American companies, by and large, that had participated backed out, I suspect under concern about the Federal Corrupt Practices Act and otherwise. So you did have something of a withdrawal by respectable American companies from playing ball and the Iraqis then clearly went to other companies and other devices to get around that.

Senator LEVIN. The largest oil trader and the only U.S. company out of the four you mentioned was Bayoil, lifted 400 million barrels of oil during the program, including 200 million during that 2-year period of 2000 to 2002 during which the illegal surcharges were demanded and paid. My staff calculated that Bayoil financed at least \$37 million in illegal kickbacks that were paid to Saddam. Shouldn't we have done more as a Nation to police U.S. companies and to make sure that they didn't finance the payment of surcharges to Iraq?

Mr. VOLCKER. I suppose so, yes. We didn't follow through in that area, but I do think that we as a country were more disciplined than a lot of other areas.

Senator LEVIN. Thank you. My time is up. Thank you.

Senator COLEMAN. I want to just follow up on concerns raised by Senator Levin. All companies who have been involved in this raise a great deal of concern. Bayoil, of course, is being prosecuted now. I don't know if you focus on that in your report, but they are being prosecuted, and I think they had 18.85 percent of Iraqi petroleum exports. Taurus Petroleum had 17.81 percent. Do you know if anyone is being prosecuted in regard to Taurus Petroleum? I think they are a Swiss company.

Mr. VOLCKER. Who?

Senator COLEMAN. Taurus. Of the four major companies, there were four majors——

Mr. VOLCKER. Right.

Senator COLEMAN [continuing]. Bayoil at 18 percent, Taurus at almost 18 percent, Vitol, Glencore, and then almost 40 percent of others. Do you know if anybody else other than Bayoil is being prosecuted?

Mr. VOLCKER. There are others who are being investigated.

Senator COLEMAN. In terms of charges being brought.

Mr. VOLCKER. I don't recall charges being brought against——

Senator COLEMAN. I would hope charges would be brought across the board, but I would note that at this point, I think——

Mr. VOLCKER. There are investigations going on in some foreign countries.

Senator COLEMAN [continuing]. One of those countries, the concern I have is in regard to the Russians, which got \$19.3 billion worth of the oil through the Russians. Ultimately, not a drop of oil went to Russia, but the oil went elsewhere. And the evidence regarding the Russian transactions is pretty overwhelming. You have signed statements from people like Zhirinovskiy, who were negotiating with the Iraqis. You have the Communist Party of Russia getting substantial allocations, again, many things in writing.

First of all, do you know if there are any prosecutions, anyone in Russia has been charged with a crime——

Mr. VOLCKER. I am not aware of any. In Russia's case, I might say, I think uniquely, that the allocation process seemed to be strongly influenced, if not run, by the government itself.

Senator COLEMAN. Did the Russians cooperate, the government, with the IIC?

Mr. VOLCKER. To an extremely limited—with our investigation?

Senator COLEMAN. Right.

Mr. VOLCKER. Only to a very limited extent. We basically were not able to talk with Russian companies. We had limited contacts with the Russian government.

Senator COLEMAN. We have active investigations going on here against American companies involved. How do we get other countries, the Russians, the French, and the others, to seriously act on what is in your report and what is in the Senate report?

Mr. VOLCKER. I guess I would answer that by saying we have done our best by exposing the facts as we see them, and that was our responsibility and I hope we have discharged that.

Just to be clear, our inquiry is a fact-finding inquiry. We haven't got any law enforcement powers ourselves. But we had a hope, and continue to have a hope, and we have cooperated with law enforcement bodies that have been interested in pursuing this. None of those have arisen in Russia, but they have in some other countries.

Senator COLEMAN. Just one other thought in regard to the conduct of the United States here. And by the way, in dealing with this program, this occurred under two Administrations, both the Clinton Administration and the Bush Administration. This is not just a process of dealing with the Oil-For-Food Program and the protocols, the selling of oil. In fact, Congress was notified and the Secretary of State said it was in our national interests of the U.S. to provide trade with Turkey and Jordan, is that correct?

Mr. VOLCKER. That is correct.

Senator COLEMAN. But that we did fight tooth and nail against Syria, against some of the Syrian smuggling. There was a strong effort to fight that, wasn't there?

Mr. VOLCKER. There was a stronger effort to fight it, yes.

Senator COLEMAN. And can you——

Mr. VOLCKER. But I don't think that it was ever notified to the Congress. I am not sure. I don't think so. My memory is Turkey and Jordan was, but not Syria.

Senator COLEMAN. Was there—again, I want to get back to the Security Council—cooperation from France and Russia? Their reaction to, for instance, the retroactive pricing. One of the things we did, and it took us 2 years to do, is the way you could stop the kickbacks is you could make sure that the Iraqis couldn't manipulate the price to build in a kickback for Saddam.

Mr. VOLCKER. Correct.

Senator COLEMAN. We fought for 2 years to try to do that. Who was opposing that?

Mr. VOLCKER. Well, my memory is that I think the Russians and the Chinese and perhaps the French.

Senator COLEMAN. And these were the people who were getting the bulk of the business from the Oil-For-Food Program?



Mr. VOLCKER. Well, the Russians and the French were, anyway, and the Chinese at times were, too.

Let me just note that there are active investigations going on in France with this matter.

Senator COLEMAN. And I believe there was action taken against a former French diplomat, Merimee?

Mr. VOLCKER. Yes. It is something short of an indictment, as we see it. It is an investigative notice, in effect, under the French system. They notify people that they are under investigation, and I should get the exact term now, but it is—they have not been brought to trial.

Senator COLEMAN. In the Merimee case, by the way, again, it is one that followed a pattern. He was deemed as being helpful by the regime.

Mr. VOLCKER. Yes.

Senator COLEMAN. He received an oil allocation. Someone else lifted it. He got a commission—

Mr. VOLCKER. Yes.

Senator COLEMAN [continuing]. That he got back, some direct, some indirect.

Mr. VOLCKER. Yes. And, of course, the problem in that particular case, he did this while he was a U.N. official, a U.N. advisor.

Senator COLEMAN. He was, in fact, at that point working for the Secretary-General, is that correct?

Mr. VOLCKER. That is correct, yes.

Senator COLEMAN. And Sevan, when he did it, was he also working as a U.N. official?

Mr. VOLCKER. Well, Sevan was not only working as a U.N. official, he was the U.N. official in charge of the program.

Senator COLEMAN. I have focused very heavily on the issue of corruption versus there have—my distinguished colleague has focused on the oil protocols, of which Congress did get notice and judgments were made about what was in our security interest. But the issue of corruption, of dollars being paid to bribe folks, payoffs to member states, and even ultimately, by the way, the corruption of Bayoil and others who were paying kickbacks. I mean, the sense I have, and you have stated it, is what that does is it undermines the confidence in the United Nations to do whatever it does.

Mr. VOLCKER. I think that is true. The failure of the United Nations, and I use that term broadly now to include the Security Council, to take effective means to combat that undermines the sense of legitimacy of the United Nations.

Senator COLEMAN. How much of the corruption issue goes beyond Oil-For-Food? Before the Foreign Relations Committee, we had a brief exchange about whether it was a culture of corruption or a culture of indifference.

Mr. VOLCKER. Well, I don't want to call it a culture of corruption because the actual amount of corruption that we found was, of course, limited. We found some corruption in the purchasing department, which, of course, is a place where you might be suspicious of getting corruption. We ran across corruption that was outside the Oil-For-Food Program in the purchasing department and that has led to an arrest, as you know, of a man, or two people directly involved. We had the corruption by the guy running the

program. That is pretty serious. But we haven't found payment of money to U.N. people wholesale by any means.

There undoubtedly was plenty of room for a kind of petty corruption in Iraq itself, where there were a lot of new U.N. employees and a lot of handling of cash and other possibilities of siphoning off money. You hear some reports of that. We were not able to chase it down in ways we could actually identify, but one could be suspicious.

Senator COLEMAN. As one looks to reform, ultimately, you can have the concepts of reform, but then you have to enact reform and people have to carry it out. One of the concerns about the United Nations has been about the personnel and is there too much nepotism, is there patronage, is it a bureaucratic system, is it capable of change. Can you comment on what it is going to take to truly change, not just to put the ideas on the table, but to make it work?

Mr. VOLCKER. Well, when we looked at this and debated it ourselves, the best thing we could do is come up with this idea that, somehow, somebody has got to be more clearly responsible for administering the place than is possible now. Now, it is the Secretary-General, and he shouldn't escape responsibility. I don't believe that by any means. But I think the structure needs to be strengthened in a way so that there are fewer excuses for escaping responsibility or not paying enough attention and you do that by singling out one guy, it seems to me, one man or woman who clearly has that responsibility.

The irony of this program at one point is the Deputy Secretary-General was presumably appointed to oversee the program. At the end of the day, she says she wasn't aware of that. Now, that suggests some problem in delegation and administrative discipline, because that position was created to exert administrative control, in theory. But for whatever reason, it hasn't worked out that way.

Senator COLEMAN. I would suggest the problem, then, is the person who was on top of her, the Secretary-General, who if she doesn't understand that she's got that responsibility and all this is going on, then that is clearly a problem.

Mr. VOLCKER. I think that is true, too.

Senator COLEMAN. Thank you, Chairman Volcker. Senator Levin?

Senator LEVIN. I think we are looking at two aspects of the same problem when we look at this Oil-For-Food Program. One is it all is illicit income or money going into Saddam Hussein from different types of sources. One is the kickbacks and surcharges and the other one is the direct sales which we looked the other way on.

Mr. VOLCKER. Yes.

Senator LEVIN. I have spent a lot of time on the direct sales because that represents 80 percent of the illicit money that went to Saddam. But 20 percent of that money comes from the kickbacks and the surcharges that were paid.

Mr. VOLCKER. Right.

Senator LEVIN. We laid out the chronology of the efforts of the United Nations to obtain information from our country about the largest single company that acquired Iraq oil. It's too hard for you to read, so I'll just read you a couple lines of—

Mr. VOLCKER. I have it in front of me here.

Senator LEVIN. All right. Take a look, on July 14, 2001, the U.N. Office of Iraq Program asks the U.S. mission to the United Nations for assistance. The State Department writes the Treasury Department's Office of Foreign Assets Control, OFAC, asking it to contact Bayoil and urge the company to respond quickly and completely to the Office of Iraq Program's request for information. It didn't do it. The United Nations again asked Bayoil. It doesn't get the information. In January 2002, another request of Bayoil, doesn't get the information.

In January 2002, the United Nations again asks the State Department for assistance and the State Department again contacts OFAC. Nothing happens until 8 months after the initial request, OFAC writes Bayoil requesting a report on transactions. Bayoil writes OFAC back, does not give it the information which the United Nations wants, which is about what happened to specific shipments of oil.

The bottom line is that we did not help the United Nations enforce these rules. Now, what reforms are we going to put in place that are going to get member nations to do their duty? This is a direct illegal surcharge issue.

Mr. VOLCKER. Well, look, I don't know magic answers. All I know is our sense is the United Nations itself didn't press very hard in this area.

Senator LEVIN. Well, how many letters do you have to write to the State Department—

Mr. VOLCKER. Well, they—

Senator LEVIN [continuing]. In order to get information? Does it take three letters? Is that what the United Nations needs to—by the way, I admire what you have done relative to U.N. reforms. I am all for you.

Mr. VOLCKER. I understand that.

Senator LEVIN. But I don't think we can take member nations off the hook.

Mr. VOLCKER. No, I agree. You can look at this question much more broadly. All this business that went on, particularly after 2000, with hiding behind front companies and so forth, all those front companies were approved by member states. Now, I am sure they didn't investigate. The approval was virtually automatic. But no effort was made when questions did arise to follow up.

You have a case here obviously where the effort was much more diligent at least in trying to find something. In most cases, nobody tried. One of our concerns is that the bank that was at the center of the escrow account and at the center of issuing letters of credit made no real effort to notify the United Nations, nor did the United Nations make a great effort to notify the member states that these front companies were rather questionable and what was going on here. It was just that kind of discipline was lacking.

Senator LEVIN. And then the final blow to the U.N. efforts to obtain information on Bayoil is that when Bayoil writes to the Administration or to the State Department, excuse me, with certain information, which, by the way, was wrong, inaccurate, but nonetheless, they tell the administration, they tell the State Department, you may not share this with the United Nations, and we didn't share it with the United Nations. It was erroneous informa-

tion, by the way. But how do we allow a company subject to our law to direct us not to share something with the United Nations? What is the basis for that?

Mr. VOLCKER. I do not know.

Senator LEVIN. And then the State Department complies. We don't share it with the United Nations. So I am all in favor of pointing the finger at the United Nations when it belongs there, and you have done that, but I don't think we can just simply leave it there. I think we have got to look at ourselves.

Mr. VOLCKER. OK. What you are saying, I think makes sense, and that we are usually careful in saying the failures in this program was the United Nations, but it was also member states.

Senator LEVIN. Thank you.

Senator COLEMAN. Thank you, Chairman Volcker. I would note one thing, and I haven't taken a look at the State Department letters, but I understand these were written to the Office of the Iraq Program as asking the U.S. mission to the United Nations for assistance, is that correct? Is that the program that was overseen by Benon Sevan? Is that the same program?

Mr. VOLCKER. The Office of Iraq Program was overseen by Benon Sevan, that is for sure.

Senator COLEMAN. Thank you very much, Chairman Volcker. I appreciate your testimony and the work of your commission.

I would now like to welcome our next presenter, and I should note to the audience that witnesses before this Subcommittee are typically required to be sworn. But we have here two individuals who are actually doing briefings for us rather than appearing as witnesses and I want to make that distinction.

Our next individual who will provide a briefing for us will be the former Speaker of the House who served as a Co-Chair of the Task Force on the United Nations at the United States Institute of Peace and it is really an honor to have you with us this afternoon, the Hon. Newt Gingrich. Speaker Gingrich, I appreciate your attendance at today's hearing. I look forward to hearing about the Task Force report and American interests in U.N. reform as well as your views on the role of Congress in U.N. management reform, including the need for legislation on U.N. reform.

With that, we have a timing system today. We will do about 10 minutes, but I welcome the opportunity to have you before us today, Speaker Gingrich.

**BRIEFING BY HON. NEWT GINGRICH,<sup>1</sup> CO-CHAIR, TASK FORCE ON THE UNITED NATIONS, UNITED STATES INSTITUTE OF PEACE, WASHINGTON, DC**

Mr. GINGRICH. Let me say first of all that I appreciate very much the hearing and the opportunity. I found the dialogue between Chairman Volcker and the two of you very helpful in setting the stage, so if I might, I want to build on that.

I want to say that I am going to be representing my own views today, but we did issue a report which both of you have seen and your staffs have seen on American interests in United Nations re-

<sup>1</sup> The prepared statement of Mr. Gingrich appears in the Appendix on page 57.

form, which Senator Mitchell and I co-chaired and was a very bipartisan effort.

I also have a full text which I am submitting for the record, but will not go over in detail, including an appendix where we attempted to go through and take all the recommendations that we had made in our report and looked at the summit that was held with the General Assembly and tried to measure literally item by item for 35 pages which things were done and which weren't. I must say, it is a fairly discouraging report if we are going to be candid about what has and has not been done.

I noticed that Ambassador Bolton had made the comment that there was an interesting contrast between Secretary Rice saying we need a revolution of reform at the United Nations and Chairman Volcker having commented on a culture of inaction. I would simply say that from what we have seen in September and October, the culture of inaction is defeating the revolution of reform, and I think that is part of what the U.S. Congress has to confront, is in a setting where an institution that matters is failing, what are the options available to the United States and how should we deal with it?

Let me say, just because I do agree with the concerns that Senator Levin raised about the State Department's earlier actions, I think it is perfectly reasonable for this Subcommittee and for its House counterpart to also look at those ways in which the U.S. Government as an institution has failed to be effective in sanctions in other areas and to propose such reforms as are necessary to our own government. I don't think we should say this is all about the United Nations, although there is, sadly, more than enough to deal with at the United Nations level.

I want to begin by saying, I think, that it is very important that the United States work with other countries to start moving towards a voluntary dues paying model for the entire United Nations system. I note that Chairman Volcker commented that there had to be, in his judgment, financial consequences if, in fact, the United Nations was not reforming itself. I thought it was a very important term because he was trying to talk about reality.

If the overwhelming number of members of the General Assembly who pay virtually nothing are able to consistently stonewall reform, knowing that the check will show up no matter what they do, and if the U.N. bureaucracy is able to be ineffective, which I would argue is its more frequent behavior—I don't think the core problem is one of corruption in the U.N. bureaucracy, although there were some corrupt behaviors. I think the deeper problem is a stunning level of inefficiency and incompetence and an inability to deliver and to get things done, and that has very important consequences for human beings around the planet.

When the United Nations is incompetent, people die in Darfour. When the United Nations is incompetent, people find that they don't have the right kind of help with malaria. When the United Nations is incompetent, there are reasons to worry about which should be an effective economic development aid. And I think it is important to recognize that this underlying pattern will continue unless there is substantial reform.

So I want to start with Chairman Volcker, who made the comment talking about the effort to have reforms, "all of that has failed." He went on to say, "if there isn't reform, there has to be monetary consequences." I also note that former United Nations Under Secretary-General for Management and the former head of the World Food Program, Catherine Bertini, who said that, "voluntary funding creates an entirely different atmosphere at the World Food Program than at the United Nations. At the World Food Program, every staff member knows that we have to be as efficient, accountable, transparent, and results-oriented as is possible. If we are not, donor governments can take their funding elsewhere in a very competitive world among U.N. agencies and non-governmental institutions and bilateral governments."

My only point being that rather than talk about withholding, the Congress should set a totally new pattern which is to say to the Administration, we expect you to come up every year. We expect you to justify the amount of taxpayers' money you intend to give the United Nations. We expect you to prove that there have been adequate reforms to justify that money, and we, the Congress, will determine the amount we meet, rather than have it automatically be dictated by a body, the General Assembly, which is dominated by nations who have zero financial interest or sense of responsibility.

Let me just very briefly use two other examples to show you why I am so concerned about the core, and then I want to go way beyond just the issue of corruption. I will be glad to talk to you in the question period specifically about the scandal as it involves Saddam Hussein in the Oil-For-Food Program.

When the Secretary-General says in a recent speech, talking about the summit in which so much hope was placed in September, a quote from the Secretary-General, Kofi Annan, "It was a disgrace that our leaders could not agree even on a single sentence about how to tackle one of the most urgent challenges of our time, the threat of weapons of mass destruction." I think that has to be put in the context of a member of the United Nations, Iran, the new President of whom said, "Israel must be wiped off the map. Israel would burn in the fire of the Islamic nation's fury." And the Speaker of the Iranian Parliament, in commenting on that speech, said, "Israel's existence is illegal."

Now, the reason I cite this is the United States and the democracies—Japan, the Europeans, and others—have to take it upon ourselves to insist on a standard of accountability for corruption, to insist on a standard of accountability for the effective use of the resources that are loaned or that are given to an international organization, but also to insist on a mental toughness about the scale of the crisis that is gradually and inexorably building around this planet, because the longer we use words to disguise and to hide and to avoid, the greater the danger that regimes are going to end up using weapons of mass destruction and that we will look back with horror at events that are radically more dangerous than September 11 and then we will say, "Gee, how did that happen?"

One of the reasons that will have happened is because of the failure to take head-on the need for profound reform at the United Nations. Let me just say along that line, I believe, and this goes back

to reforming the State Department here in the United States, I believe every American ambassador around the world should have as a major assignment the bilateral organizing of votes so that the U.S. Ambassador to the United Nations has the active support on a regular organized basis of every single ambassador, and that probably means having secure video conferencing capabilities so that we could literally have briefings from New York and Washington in virtually real time so every ambassador understands what they are doing.

I believe that we have to establish a standard that says that the burden is not on the United States, the burden is on the United Nations to reform itself. I believe also that we should be very aggressive in encouraging alternative forms of international activity and the United Nations should have notice served that if they fail to create an effective Human Rights Council that is made up only of countries that recognize human rights, that we reserve the right to develop a totally different council outside the United Nations without allowing the dictatorships to usurp that particular body.

And finally, in terms of the particular scandal of billions of dollars that should have gone to the Iraqi people, including, I might note, some \$18 to \$20 billion that supposedly, at least some estimates are, that Saddam Hussein may well have secreted outside the country, that there should be a consistent effort led by the U.S. Department of Justice, the State Department, and the Treasury Department, to work together with other countries that believe in the rule of law to recover this money and return it to the Iraqi people, because it is their money, and I think that, in part, goes back to Senator Levin's earlier comment about examples involving American companies, not just foreign companies.

I look forward to your questions.

Senator COLEMAN. Thank you very much, Speaker Gingrich.

I should note that we invited George Mitchell to testify, and I know that Ranking Member Levin, in fact, had been in contact with Mr. Mitchell. He had a conflict and could not make it, but we did ask him to participate today.

Let me get right into how do you make reform happen. One of the challenges we have is that you have the G-77, you have the non-aligned nations, who don't have a lot of financial skin in the game. The term "management reform" doesn't have a financial impact for them. From their perspective, perhaps today the system works well. They haven't said that to me, but that is the sense I get. What I am hearing is what you are recommending is have our ambassadors kind of work nation-to-nation. Is there anything else that we can do to try to move a kind of broad group of the G-77 to understand that reform of the United Nations is absolutely essential if we are to have the level of participation that we have had in the past?

Mr. GINGRICH. Well, let me say, first of all, this is a manageable problem because seven democracies provide 78 percent of the funding to the United Nations. So you can, in fact, focus on countries where the news media is free, where some minimum standard of honesty matters, and where you can have an ongoing effort to say—for example, I would urge that every meeting of the G-77 have on its agenda United Nations reform and that we not accept

this idea that since not one of us has the right to be totally in charge, none of us have any responsibility.

The major democracies of the world, the countries that believe in the rule of law, that believe in transparency and accountability, provide the vast majority of resources to the United Nations and those countries, if they move as a block, will, in fact, carry the day. And I think it takes persistence, it takes a systematic strategy, but I do not believe you are going to get serious reform without that kind of ongoing effort, and it can't just be an every September press event. It has to be a 365-day-a-year coordinated effort which, candidly, if we could get those other six nations to join us in the bilateral efforts and you suddenly had all seven ambassadors to country after country sitting down to talk with the heads of government, you would have a stunning shift in the voting pattern of the General Assembly on issues of reform.

Senator COLEMAN. Talk to me about the timing of reform. We had the summit in September. It did not come out. It certainly was not a revolution. It didn't address what some people thought would be the easiest, the Human Rights Commission, a Human Rights Commission that has Zimbabwe as a member, that has had Libya in charge of it, Sudan, Cuba. Some would think that would be the easiest thing. It is absolutely absurd. And yet, we are finding it very difficult to make any change there. You have a budget process in the United Nations where, the early part of next year, they will do a budget that will set patterns, spending patterns, for the next couple of years to come.

Talk to me a little bit about the timing of reform and how we influence the timing of reform.

Mr. GINGRICH. Let me say first of all that we keep being told that the budget is set by consensus, to which the easy answer is the United States shouldn't consent. If it is truly sent by consensus and we and the Japanese both agree, between us, we represent 40 percent of the total budget, just two countries. So I think there are some grounds for saying, all right, let us insist on, for example, adding no new programs of any kind that involve spending money unless the money comes from the current budget.

Senator COLEMAN. So we—

Mr. GINGRICH. There is clearly, if you look at how the summit was designed, it is clearly designed to add a whole new layer of programs with a whole new layer of offices, with a whole new layer of budget requirements, without having reformed anything. So I think that one step is to simply say no.

I think a second step is to recognize one of the tragic and frustrating lessons of the 1930's is that time is on the side of the evil. I look at the Iranian statements in the last few weeks and I look at the Iranian nuclear program and I must say, I find it very formidable to think that you could end up with this kind of radical government possessing nuclear weapons, openly stating they intend to eliminate Israel, and then to say later on, gee, I wonder what that phrase meant?

And I would say the same thing here. Those who are corrupt and those who are merely inefficient would prefer never to be noticed. They find time on their side. If you have the scandal we had with sexual predation by U.N. peacekeepers, you have had the scandal



we have had with Oil-For-Food, you have had all the full weight of five volumes of the Volcker report, and with all of that, we can't get any serious reform, there is no reason to believe time is on the side of the innocent.

And so I would argue that it is the duty of the U.S. Congress to serve notice over and over and to serve notice on the Administration that it fully expects this Administration to publicly and aggressively pursue reform at every level, including the G-77, including bilateral relations in all 190 capitals, including in New York, and that the Congress's response financially and otherwise will be a function in part of the proof that things are improving.

Senator COLEMAN. And what you have offered is a checklist that allows us actually to measure. There are vehicles by which you can measure whether reform is taking place and have the State Department report checklists and then judgments can be made as to whether reform is really reform.

Mr. GINGRICH. I think if Senator Mitchell were here, he would join me in saying that as a former Speaker and former Majority Leader of the Senate, we would hardly believe that the Senate or House or the White House will accept our 35-page checklist, but we think if you all collectively can develop a checklist sort of like this, that that is the right way to do it, to set real metrics, set them out in the open. Obviously, you have to negotiate with them. You want to know, what will the Japanese accept and not accept. What will the British accept and not accept?

But if you start with the G-77 and build out, you can have, I think, a very powerful set of reforms, and part of the standard has to be, how can they oppose basic accountability? Which freely-elected government wants to go back home and say, you shouldn't have a right to have accountability and transparency in how your money is spent in the United Nations?

Senator COLEMAN. You noted that the problem in the kind of overall large problem is not necessarily corruption. I mean, certainly we saw corruption in Oil-For-Food and we see different levels of corruption. But the most pervasive problem, as I heard testimony, is inefficiency and incompetence, and we see that not just in Oil-For-Food, but in some other programs. How do you get to the problem of inefficiency and incompetence? Are those structural changes or are they personnel changes? And if they are personnel issues, how do you change personnel in the United Nations?

Mr. GINGRICH. Let me try to expand on the term "inefficiency," because I think it leads people to think we are worried about paper clips falling off the desk or something.

There was a clear and deliberate miscommunication between the U.N. commander in Srebrenica and the U.N. offices in New York, and during the miscommunication, 7,000 people were slaughtered. There was a clear and deliberate pattern of miscommunication between what the U.N. observers in the field in Rwanda were saying and what was being said to the Security Council. Now, that is a kind of lack of accountability, lack of transparency that led to people dying by the hundreds of thousands.

And so when I talk about lack of accountability—there is one report that the Volcker Commission made that one particular U.N. agency—I may have the numbers slightly off, but they had approxi-

mately a \$10 million administrative fee for a \$680,000 project. This is part of the Volcker Commission report. Now, that is such a grotesque abuse of the system, to have charged \$10 million to pad their administrative budget so they could be comfortable while the people of Iraq were only getting a, I think it was, \$680,000 project. The numbers may be slightly off, but the magnitude is about right.

I was told by Australians they had very similar patterns happening in East Timor, where the United Nations people absorbed every major good hotel room and booked every single good restaurant while seeking to administer refugee money in a way that was stunningly inefficient for the refugees. It wasn't inefficient for the U.N. bureaucracy, but it was inefficient for the refugees.

I think it is this sense of unaccountability, unseriousness, and non-transparency which leads to tragic things happening for human beings.

Senator COLEMAN. I appreciate, Speaker Gingrich, you putting a human face on this. I think all too often, we talk about these terms, about accountability and transparency and we look at the operations of the Office of Independent Oversight Boards and it is like we are accountants, without reflecting on the human impact.

I mean, my concern with Oil-For-Food was did Saddam believe that the Security Council wasn't going to act against him, and as a result, we are engaged in battles today and lives lost and a terrible impact because we had a thug or a tyrant who figured he had bought the jury. I don't know. But the failure of the right thing to take place, and particularly the United Nations, is people pay a price and it is not just about accountants setting up new systems.

My time is up on this round. I will turn to my Ranking Member, but I want to come back for another round.

Senator LEVIN. Thank you. I welcome Speaker Gingrich.

I noted the intro, or the foreword, I guess, by you and Senator Mitchell to your report, and one of the things you said, it seems to me, is something that I am very much in agreement with and spent a lot of time trying to figure out how to implement, and that is this quote on page four, "In proposing sweeping reform of the United Nations, the Task Force notes that the United Nations is a body composed of individual Nation States." Regrettably, too often, member states have found it convenient to lay the blame for failure solely on the United Nations in cases where they themselves have blocked intervention or opposed action by the United Nations. On stopping genocide, all too often, "the United Nations failed," should actually read, "members of the United Nations blocked or undermined action by the United Nations."

I think it is a very perceptive comment that the two of you made. Obviously, there are problems at the United Nations, problems in the Administration, reforms that need to be made, and I think that is clearly true. The Secretary-General has acknowledged that and there is an effort underway in many areas to see if we can't get some of the needed reforms. But it is also important to recognize, as you two did, that too often, it is the member states that don't want those reforms or don't want the United Nations to take certain kinds of action and we can't just sort of act as though the United Nations is something separate from its members, because it isn't.

I am just wondering whether there are many management reforms that you could suggest, or any other kind of reforms that you would suggest that might lead to member states carrying out their own responsibilities. You talked about accountability and responsibility, and I couldn't agree with you more. What kind of reforms could be introduced which might have the effect of getting member states to step up and do what they need to do to make a program work?

Mr. GINGRICH. I think you put your finger on one of the most difficult challenges that we wrestled with for hours in our discussions with a number of very experienced people who had been—including several former U.N. ambassadors to the United States, including several senior military people.

Let me break it into three components, if I might, and again, this is certainly under the purview of this Subcommittee. The first is there are times when the United States fails. We have to recognize that in Rwanda, we were very eager to avoid being directly engaged if at all possible and that when people see "Hotel Rwanda," they need to understand, that wasn't the U.N. failed, that every great power was eager to not go in there for different reasons and that the United Nations was simply the instrument of the collective failure of civilization.

So I think you have to start with that, that when you visit the Holocaust Museum and you say, never again, you then have to say, all right, first of all, what does that mean for the most powerful nation in the world? It doesn't mean we have to do everything, but we should be leaning forward in getting things done and figuring who is going to do them.

Second, there are going to be times when we have to work around the United Nations and we need to be clear about this. We tried to say quite strongly in this report that if the United Nations is unable in a place like Darfour, where you have Chinese and French interests on the other side, if the U.N. Security Council can't make a decision, that doesn't mean that a non-decision is a veto, because, frankly, as long as we are prepared to block any negative, they can't pass anything that stops from doing it. So you could organize the Organization of African Union. You could organize a Coalition of the Willing. There are a variety of ways to intervene that don't mean it is the United Nations or nothing. And I think we have to be very clear about this on the planet and we have to say on occasion, how many people are going to die before we move? How many meetings of the Security Council to arrange a meeting do we need?

Last, there are moments when it all comes together right. In all fairness both to the Bush Administration and to the French, and you and I might disagree about which of the two we would criticize more intensely on any given day, but both the Bush Administration and the French have actually come together on the Lebanon-Syria problem in a way that is pretty impressive, and hopefully today's ministerial will actually be a pretty solid step in the right direction.

So I see all three. We have to be responsible for facing realities around the world that a lot of other countries won't. We have to, when necessary, act outside the United Nations. And whenever

possible, we should start by trying to get the United Nations to do the job.

Senator LEVIN. Thank you.

Senator COLEMAN. Thank you. If I could just follow up, I have to say that I want to make clear that the Ranking Member and I are not in disagreement as to really there being two aspects to this problem. I have focused a lot on the internals, and I am going to get back to that, in terms of management and the individuals and what went wrong in Oil-For-Food, and ultimately, is there going to be accountability and responsibility?

My frustration at times is people talk about member states in an abstract way and that then—for some, it may somehow absolve individuals of individual responsibility. The individuals ultimately have to take actions. It may be, Senator Levin, that the answer to your question is no management reform for the United States, but in individual places, like here in Congress, we have a greater oversight responsibility. And if we are seeing things that—if we don't have our guard noses out there sniffing and we see things going on, we need to be on top of it, and if not, it is our failure. We have some responsibility. We have oversight. And we do it, and if we don't do it, then shame on us.

But there are individuals that ultimately, and that is my concern, that we are not somehow absolving individuals of responsibility. I have been particularly harsh on the Secretary-General, not on a personal level, but as I look at the record in the Volcker report and the mismanagement and the fraud and the corruption and the individuals like Benon Sevan who were directing the program and overseeing the Iraqi Office put on the take, and Louise Frechette, the Deputy Secretary-General who says it wasn't her job when it was her job, and chiefs of staff that destroyed records, that does raise concern.

I don't know how you do reform, Speaker Gingrich, if the individuals in place can't do the heavy lifting and if their reputations are tarnished by the fact, by the record. Based on what you have read in the Volcker Commission report and the work that we have done, how would you rate the Secretary-General's performance regarding Oil-For-Food?

Mr. GINGRICH. If I might, I want to comment on two of the things you just said that I think lead to that, and I will be quite clear when I get to that.

The first is, I do think the Legislative Branch should do a great deal more oversight and should develop continuity in between the headlines. I think it is very important that our unique—the tension of our American Constitution actually leads to more accountability and more oversight than any other system I know of in the world, because if you have a parliamentary system, the people in the majority are also the government. So I think we have a unique obligation to have a continuous process of oversight, not only of our own government, but also of the United Nations as an institution.

And here is the second thing, where I don't quite know where we go with it because it is something that I noticed. Chairman Volcker made the comment in passing that the Russian government seemed to be the primary allocator of these illegal vouchers for oil in the Russian system. This was not being done by a bunch of individuals.

This means that this is the autocratic regime of President Putin. These things are not happening by accident.

Somehow, the U.S. Congress should take upon itself the obligation to learn more about these kinds of things because it may well be that the State Department, for a variety of diplomatic reasons, isn't as interested. It may well be that—I am not saying that we have the legal ability to subpoena anybody, but it goes to the core of the nature of the modern world.

I just want to say, there is a fascinating book called “The Crime of the Century,” which is written by a Russian-speaking woman who was the *Financial Times* correspondent in Moscow. She is describing the sale of all these companies to the Russian oligarchs. The book is about 6 years old now. And she said, late one night, having been there for 3 years, she is out and she is at a dinner and drinking with one of the great billionaire oligarchs and she is telling him that she is so puzzled at how badly they have written their privatization laws, because if they had written them correctly, they could have all sorts of people bidding and they would have received 10 or 20 times as much money and they would have massive amounts of foreign capital, and they had had enough to drink that he broke up laughing at her.

And he finally said, “Young lady, I personally wrote that law and I wrote that law to guarantee that no foreigner would raise the price at which I was looting the Russian government.” And she said she sat there feeling like an idiot, because for 3 years, she had assumed the best of intentions. She had assumed she was dealing with honest people. And she had assumed they were just incompetent when, in fact, they were stunningly incompetent. It is just that they were competent of being crooks and she had no mechanism for that.

I say that because, as I raised earlier, I am really worried about the Iranians. I mean, the Iranians are being about as clear as they can humanly be. When they get nukes, they intend to wipe out Israel. This should bother us at levels we don't imagine. But it is so outside our conversations.

And now I come to that same framework of being honest. Let me talk briefly about the Secretary-General. The Secretary-General's role over the last 10 years, before he became Secretary-General, when he was in charge of peacekeeping during the period of Rwanda and the Balkans, by any reasonable standard in any open society in the world, his record is indefensible and inexplicable. I mean, if you just list everything that he has touched that has gone wrong, it is inconceivable that you would voluntarily hire him.

It is not that he is not a nice man. It is not that he is not a well-meaning man. It is not that he isn't very impressive when he gives a speech. And having, frankly, a conservative American say this just strengthens it, because you can go around the rest of the world as the non-American who stands up for all the people who, in effect, are losing ground because the money gets looted, because the system doesn't work, and because realities aren't dealt with.

But I can't imagine anyone who took seriously the list that you could develop in 5 minutes who could defend that list as an example of an effective, competent stewardship.

Senator COLEMAN. Thank you, Speaker Gingrich. Senator Levin.

Senator LEVIN. Just one comment about the Iranian President's comment, which, I happen to agree with you, is not only a total outrage, but a very disturbing statement. When the Iranians are seeking nuclear weapons, that kind of statement made by the president of that country should put everybody on notice as to what their possible intentions are.

I do see, however, that the Security Council took some action relative to that statement. Is that your understanding?

Mr. GINGRICH. It took no action that has any meaning in the real world.

Senator LEVIN. But they disowned it.

Mr. GINGRICH. They disowned it. The Europeans have indicated they feel bad. This is like dealing with Adolf Hitler in 1935.

Senator LEVIN. But I think the Israelis welcomed the U.N. Security Council taking notice of that statement, for what it is worth.

Mr. GINGRICH. No, look, Senator, if I might, you are technically correct that given the level of anti-Semitism we have seen in Europe, given the level of anti-Israeli behavior by the Europeans, given the degree to which they have been willing to overlook virtually anything done by the Palestinians, the fact that the Europeans would at least notice that a threat to totally wipe them out was inappropriate was good.

All I am suggesting to you is, as a student of history, if we lose Tel Aviv one morning, looking back on a U.N. Security Council resolution will not be very useful, and no one that I know of in this country or at the United Nations is talking seriously about what you have to do with a regime which in any reasonable world would be an outlaw regime.

Senator LEVIN. I think there are serious discussions taking place, by the way. I disagree with you on that matter—

Mr. GINGRICH. Well, I hope you are right.

Senator LEVIN. There are very serious discussions taking place, and so your feeling that it was, given the backdrop and given the environment and given the previous level of anti-Semitism that the taking up of the issue at least was good, all it does to me, it reinforces the idea that it is good, but not good enough, and that is what you are saying—

Mr. GINGRICH. It is a start.

Senator LEVIN [continuing]. And that is what I am saying. But at least in the Israeli eyes, it was perceived as being something that was good and we ought to at least acknowledge that for what it is worth, as at least some—it may be a baby step, but at least, finally, it is a step in the right direction. It shouldn't have taken that kind of an unbelievable statement by a president of a country for that baby step to be taken. I happen to agree with you on that, too. But nonetheless, I think we should note that at least from the Israeli perspective, it was welcomed.

Senator COLEMAN. Before you leave, Mr. Speaker, as a former Speaker, you understand this language. I associate myself with your comments regarding Iran. Thank you very much and it is a pleasure having you come before us today.

I would now like to welcome our final witnesses for today's hearings, Thomas Melito, a Director with the Government Accountability Office's International Affairs and Trade Team, and Robert

W. Werner, the Director of the Department of Treasury's Office of Foreign Assets Control. I appreciate your attendance at today's important hearing and am anxious to hear your testimony.

Mr. Melito is here to update the Subcommittee on the GAO review of U.N. procurement and auditing requested by this Subcommittee and the House International Relations Committee. Mr. Werner will discuss the role of the Department of the Treasury in OFAC and the U.N. sanctions program. I look forward to hearing from you both.

Before we begin, pursuant to Rule VI, witnesses who testify before the Subcommittee are required to be sworn. At this time, I would ask you all to please stand and raise your right hand.

Do you swear the testimony you are about to give before this Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. MELITO. I do.

Mr. WERNER. I do.

Senator COLEMAN. We will be using a timing system, gentlemen. I think 1 minute before the red light comes on, you will see the lights change from green to yellow. That will give you an opportunity to conclude your remarks. Your written testimony will be printed in the record in its entirety. We ask that you limit your oral testimony to no more than 10 minutes.

Mr. Melito, we will have you go first, followed by Mr. Werner, and after we have heard all the testimony, we will then turn to questions. Mr. Melito, you may proceed.

**TESTIMONY OF THOMAS MELITO,<sup>1</sup> DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE TEAM, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. MELITO. Mr. Chairman, Ranking Member Levin, I am pleased to be here today to discuss internal oversight and procurement in the United Nations.

The findings of the Independent Inquiry Committee into the U.N. Oil-For-Food Program have rekindled longstanding concerns about internal oversight and procurement at the United Nations. Today, I will share with you our observations on the extent to which budgeting processes affect the ability of the U.N.'s Offices of Internal Oversight Services, or OIOS, to perform independent and effective oversight. I will also discuss some of the U.N.'s efforts to address problems affecting the openness and professionalism of its procurement system. I would like to stress that my comments today reflect the preliminary results of our ongoing work.

My statement today has two main findings. First, OIOS's ability to carry out independent, effective oversight of U.N. organizations is hindered by the U.N.'s budgeting processes. Second, despite some progress, the United Nations has yet to fully address previously identified problems affecting the openness and professionalism of its procurement system. I will now highlight our main findings.

We found that the ability of OIOS to carry out independent, effective oversight is impeded by the U.N.'s budgeting processes in three ways. First, the Secretary-General's Budget Office, over

<sup>1</sup> The prepared statement of Mr. Melito appears in the Appendix on page 102.

which OIOS has oversight authority, controls OIOS's regular budget. Although the General Assembly stated the office is to be operationally independent, OIOS has limited recourse regarding the Budget Office's decisions. OIOS can negotiate with the Budget Office on suggested changes to its budget proposal. However, it is limited in its ability to independently request from the General Assembly the resources it needs to provide effective oversight.

Second, the funds and programs that the OIOS examine control its extra-budgetary resources. The Office's reliance on these resources has steadily increased over the years, from 30 percent in its 1996–1997 budget to 62 percent in its latest budget. This increase has been primarily due to the growth in peacekeeping operations. Heads of funds and programs can approve or deny budgets and staffing for oversight work. By denying OIOS funding, U.N. entities can avoid audits and high-risk areas may not be adequately reviewed. For example, according to a senior OIOS official, the Office has not been able to reach a memorandum of understanding to review the U.N. Framework Convention on Climate Change.

Third, U.N. regulations make it difficult for OIOS to shift resources among the locations or divisions to meet changing priorities. For example, OIOS officials requested a reallocation of 11 investigative posts from New York to Vienna to save travel funds and be closer to the entities they primarily investigate. The change was approved only after repeated requests over a number of years.

Let me now turn to our second finding, addressing the openness and professionalism of U.N.'s procurement system. The U.N. Procurement Service has improved the clarity of its procurement manual. In 1999, we reported the manual did not provide detailed discussions on policies and procedures. The United Nations has addressed these problems in its current manual, which was endorsed by a group of outside experts. The manual now has step-by-step instructions and flow charts explaining the procurement process.

However, the United Nations has not addressed concerns about the lack of an independent bid protest process, the qualifications of procurement staff, and the clarity of ethics regulations.

First, the United Nations has not heeded a 1994 recommendation by a group of independent experts to establish an independent bid protest process, as soon as possible. As a result, U.N. vendors cannot protest the Procurement Services' handling of their bids to an independent office. We reported in 1999 that such a process is an important aspect of an open procurement system because it alerts senior U.N. officials to failures to comply with procedures. In contrast to the U.N.'s approach to bid protest, the U.S. Government provides vendors with two independent bid protest processes. Vendors dissatisfied with a U.S. agency's handling of the bids may protest to the Court of Federal Claims or to the U.S. Government Accountability Office, which receives more than 1,100 such protests annually.

Second, the United Nations has not fully addressed longstanding concerns regarding the qualifications of the procurement staff. Most procurement staff at headquarters have not been professionally certified. A U.N. commission report found that it was imperative that more U.N. procurement staff be certified. The authors of the study told us that the U.N.'s level of certification was low



compared to other organizations. Procurement officials stated that their goal is to secure certification of all staff within 5 years. According to U.N. officials, the curriculum for the trainers has been finalized and the United Nations has trained some staff as trainers. However, these staff have yet to receive certification they need before they can train U.N. procurement staff.

Finally, the United Nations has not finalized several proposals to clarify ethics regulations for procurement staff. Although the United Nations has established general ethics rules and regulations for all staff, the General Assembly asked the Secretary-General this year to issue ethics guidelines for procurement staff without delay. The Secretary-General also directed that additional rules be developed for procurement offices concerning their status, rights, and obligations. Several draft procurement regulations are waiting internal review or approval. No firm dates have been set for their release. The proposed policies reinforce ethics standards on conflict of interest and acceptance of gifts from procurement staff and outline U.N. regulations for suppliers of goods and services to the United Nations.

Mr. Chairman, this completes my prepared statement. I will be happy to address any questions you or Ranking Member Levin may have. Thank you.

Senator COLEMAN. Thank you very much, Mr. Melito. Mr. Werner.

**TESTIMONY OF ROBERT W. WERNER,<sup>1</sup> DIRECTOR, OFFICE OF FOREIGN ASSETS CONTROL (OFAC), U.S. DEPARTMENT OF THE TREASURY**

Mr. WERNER. Chairman Coleman and Ranking Member Levin, I appreciate the opportunity to discuss the responsibilities of the Office of Foreign Assets Control, or OFAC, as these pertain to the United Nations Oil-For-Food Program and Iraqi sanctions. I will briefly discuss these responsibilities and respectfully request, Mr. Chairman, that my written remarks be submitted for the record.

Senator COLEMAN. Without objection.

Mr. WERNER. Since becoming Director of OFAC in October 2004, I have learned firsthand that it is a small but exceptional agency of experienced, knowledgeable professionals dedicated to carrying out the complex mission of administering and enforcing economic sanctions based on U.S. foreign policy and national security goals.

OFAC currently administers 30 economic sanctions programs against foreign governments, entities, and individuals. Though eight of these programs have been terminated, they still require residual administrative and enforcement activities.

In administering and enforcing economic sanctions programs, OFAC maintains a close working relationship with other Federal departments and agencies to attempt to ensure that these programs are implemented properly and enforced effectively. I would also note, Mr. Chairman, that all of the programs we administer require that we work closely with a broad range of industries potentially affected by these programs. We are presently expanding and improving communication with these diverse constituencies.

<sup>1</sup>The prepared statement of Mr. Werner appears in the Appendix on page 115.

As the Subcommittee knows, following the Iraq invasion of Kuwait in August 1990, the U.N. Security Council adopted Resolution 661, which imposed sweeping economic sanctions against Iraq. The President also issued two Executive Orders, one which froze the assets of the Government of Iraq in the United States or under the control of U.S. persons and imposed a comprehensive trade embargo against Iraq, and another that broadened those sanctions consistent with U.N. Resolution 661. These sanctions were implemented by OFAC through the Iraqi Sanctions Regulations.

In April 1995, the U.N. Security Council adopted Resolution 986 in order to alleviate the serious humanitarian crisis in Iraq. Under the Oil-For-Food Program, the Government of Iraq was permitted to sell and to export from Iraq petroleum and petroleum products as well as to purchase and import humanitarian materials and supplies to meet the essential needs of the civilian population in Iraq. The proceeds from sales of Iraqi origin petroleum and petroleum products were to be deposited into a special escrow account at the New York branch of Banque Nationale de Paris, where they would be used to fund purchases made by the Government of Iraq.

The Secretary-General established a panel of independent experts in the international oil trade to oversee oil purchase contracts and ensure that they complied with requirements provided for in Resolution 986. The panel was responsible for assessing the pricing mechanisms for petroleum purchases in order to determine whether they reflected fair market value. The panel was also responsible for providing analysis and recommendations to the 661 Committee.

With respect to purchases of humanitarian materials and supplies, the Government of Iraq was required to prepare a categorized list of humanitarian goods and supplies it intended to purchase and import pursuant to Resolution 986 and to submit it to the Secretary-General. The Secretary-General would then forward the distribution list to the 661 Committee for review and approval. Individual contracts for purchases of humanitarian goods and supplies were to be submitted to the 661 Committee separately through the relevant U.N. mission for the exporting state. Experts in the U.N. Secretariat were to examine each contract, especially regarding quality and quantity of the goods and supplies, in order to determine whether a fair price and value were reflected in the document.

Consistent with Resolution 986, effective December 10, 1996, OFAC amended the Iraq sanctions regulations to authorize U.S. persons to enter into executory contracts with the Government of Iraq for the purchase of Iraqi origin petroleum and petroleum products into trade and oil field parts and equipment and civilian goods, including medicines, health supplies, and food stuffs. U.S. persons were also authorized to enter into executory contracts with third parties outside OFAC's jurisdiction that were incidental to permissible executory contracts with the Government of Iraq. U.S. persons were not authorized to engage in transactions related to travel to or within Iraq for the purpose of negotiating and signing executory contracts. However, OFAC amended the regulations to authorize U.S. persons to enlist and pay the expenses of non-U.S. nationals to travel to Iraq on their behalf.

OFAC issued approximately 1,050 specific licenses to U.S. persons for various aspects of the Oil-For-Food Program, primarily under three provisions of the regulations. Because of the complexity of the Oil-For-Food Program, OFAC engaged in an outreach program to assist licensees in understanding their obligations. OFAC provided guidance about the program's requirements in hundreds of sanctions workshops. It also published information on Iraqi sanctions in numerous plain-language brochures. Further, it referenced the program in articles published in numerous industry magazines.

In addition to engaging in this general guidance, in January 1997, OFAC issued a memorandum to the U.S. Customs Service recommending that Customs require importers of Iraqi petroleum or petroleum products to provide a copy of the 661 Committee approval for which the petroleum or petroleum products in question comprised all or a part of the original purchase. OFAC also suggested that Customs request from the importer a brief statement describing the type and the amount of imported Iraqi products and affirming that, to the best of the importer's knowledge and belief, the imported Iraqi petroleum or petroleum products comprised all or a portion of the purchase covered in the accompanying U.N. document. Customs confirmed that it had issued instructions to Customs field offices pursuant to the guidance contained in OFAC's memorandum.

In December 2000, OFAC also published explicit information about authorized and unauthorized payments under the Oil-For-Food Program. This document, entitled "Guidance on Payment for Iraqi Origin Petroleum," was prepared in response to media reports that the Government of Iraq had attempted to force its oil customers to violate U.N. Security Council resolutions by demanding that they pay premiums in the form of surcharges, port fees, or other payments into an Iraqi-controlled account. The guidance specifically stated that no transfer of funds or other financial or economic resources to or for the benefit of Iraq or a person in Iraq could be made except for transfers to the 986 escrow account.

OFAC also had the authority to specially designate, that is, to identify publicly and to block assets of any individual or business that was directly or indirectly owned or controlled by the Government of Iraq or that purported to act for or on behalf of that government. As an essential element of the Iraq sanctions, OFAC began an initiative to identify front companies and agents used to acquire technology, equipment, and resources for Iraq or otherwise act on behalf of the Government of Iraq. The designations not only exposed those persons and blocked their assets, but also cut them off from participation in the U.S. economic system. Ultimately, OFAC designated approximately 300 separate entities or individuals.

In addition, over the past 13 years of the Iraq sanctions, OFAC has completed over 300 civil enforcement investigations and audits involving U.S. financial institutions, corporations, and individuals. The violations investigated range from unauthorized attempts to export goods through Iraq to operating brokerage accounts for specially designated nationals of Iraq. In those cases where violations were found, the action taken by OFAC ranged from the issuance

of warning letters to the imposition of civil monetary penalties, depending on the nature, circumstances, and scope of the violation.

Finally, criminal investigations of violations of OFAC-administered sanctions programs have been conducted by a variety of U.S. law enforcement agencies. OFAC plays a coordinating and advisory role in such cases and works closely with agents and assistant U.S. attorneys. Criminal charges of IEEPA violations for unlicensed transactions involving Iraq have been brought in at least 13 cases since August 1990.

Having said all the above, there are clearly valuable lessons to be learned from a review of OFAC's administration of this program and we are already beginning to take steps to address some of those issues.

I thank the Subcommittee for the opportunity to discuss OFAC's role in implementing economic sanctions against Iraq, including its role in the Oil-For-Food Program, and I look forward to taking your questions regarding our Administration and enforcement of Iraq sanctions and plans for improvement. Thank you.

Senator COLEMAN. Thank you. Thank you very much, gentlemen.

Could we put Exhibit 2 on the podium there,<sup>1</sup> the chronology? Let me start with you, Mr. Werner and then I will proceed to Mr. Melito. Mr. Werner, I think in your testimony you indicated that in 2000, sometime in 2000 there were reports of surcharges, of the Iraqis requiring surcharges in regard to oil sales. Is that correct, was it 2000?

Mr. WERNER. That is my understanding, yes.

Senator COLEMAN. So sometime in the year 2000 there is some discussion, there is murmuring going on that the Iraqis are requiring surcharges. One of the companies which the Volcker report has identified as being a major importer, Bayoil, and I think it was about 18 percent of the total Oil-for-Food imports was involved then in lifting Iraqi oil, and looking at the chronology it appears that in August 2001—so it is after 2000, we have reports of surcharges. You have a major American company involved in lifting quantities of oil. You have the State Department writing to OFAC asking to contact Bayoil and urge the company to respond quickly and completely to the Office of Iraq program's request for information. If you go down to April 23, 2002, 8 months after the initial request for assistance, OFAC writes to Bayoil and requests a report on transactions in Iraq.

Why would it have taken 8 months? You have reports of surcharges, so there is a little concern out there that something is going on that is problematic. You have issued guidelines telling people not to pay surcharges, and you have got 8 months in between the time you request it until the time you actually contacted Bayoil. Can you explain why the 8 months?

Mr. WERNER. Mr. Chairman, let me start by saying that since that chart was produced by this Subcommittee in May I have had it sitting on my desk and I have spent a lot of time thinking about it, reviewing with staff the facts associated with that matter and using that as a lesson as we restructure our office. Frankly, I am really not going to dwell on the fact that August 2001, of course,

<sup>1</sup> See Exhibit No. 2 which appears in the Appendix on page 123.

is 1 month before September 11 where OFAC played a critical role in having to address the events of that month. Much of OFAC's resources were reallocated to deal with that crisis.

And I am not going to dwell on the fact that we are talking about complex criminal conduct that really, when you look at the indictments and the history of this case, much of what was uncovered leading to an understanding of Bayoil's conduct was uncovered through documents that were obtained in Iraq or through law enforcement tools that just were not available to OFAC. And frankly, the reason I am not going to dwell on those things, even though I think that they are valid, is that the process in place then that indicates a serious problem with the way OFAC addressed this issue.

The fact of the matter is that flaw, I think, came out of a lot of confusion. This conclusion is based on my reconstruction, because as you know I was not there at the time. But based on my attempts to reconstruct what happened, to the best of my knowledge what I can glean is that there was a true confusion over how this program was to be administered. The old adage too many cooks spoil the pot comes to mind. There were lots of people involved in this process. The United Nations had committees and experts, and there were multinational governmental issues at stake. The State Department, of course, and OFAC coordinate closely on these sorts of things, but given all the moving parts in this program I think in general there really was genuine confusion over who was accountable for what.

Frankly, that is something that we can take away from this investigation, which is the fact that when you have a complex multinational program like this it is critical to lay out who is accountable for what, and the lines of authority and responsibility. I think that is something that was not done as well as it could have been here.

But also I think it is important to understand that, as I said, OFAC currently is administering 30 economic sanctions programs. The level of complexity across these programs is great. Frankly, OFAC has not in the past been able to have a focus on complex investigations that would have allowed it to independently pursue these kinds of issues.

Again, does that excuse the fact that apparently OFAC when they even got information from Bayoil failed to forward that information to the State Department? No. Those are the kinds of things that illustrate that I have to build accountability into my office to make sure they do not happen again. And I have taken significant steps to do that. We filed a report with our appropriators on a fairly ambitious technology system that will help build accountability into OFAC and track records. We have reorganized the components of OFAC so that now we have combined our enforcement and civil penalties and investigative components under a single associate director who has full accountability across those programs for consolidating information. And we have refocused our need to be more proactive in the way we approach complex investigations.

Senator COLEMAN. I appreciate your candor, Mr. Werner, and with that candor—and I do appreciate it—though as I look at this, look at the chronology and look at the complexity—right now we

can look back and we see Bayoil has been indicted and we have gotten records showing the creation of phony companies making payments which were actually then the kickbacks. We have seen that in regard to some of the Russian dealings and setting up sham companies that really did not exist except for the per se kickbacks.

But my concern is, it was not that the documents were not available. It is that you did not try to get them. It was not that it was complex. I mean, it would be one thing to say it is complex after the fact, but at the time I do not even think you knew that because it did not seem like there was an effort to even get the documents. Now we can look back and say complex, but I would have preferred—it would have been better—and again I appreciate your candor—if you would have come to me and said, “Chairman, we have requested the documents. We have pursued this. We simply did not have the people power to get this done.” But it appeared as if you never got to that stage. You never got to make that judgment.

The concern was not that there were lots of people, but it appeared that—it would be different if three different agencies were looking at these documents. But as you look at the chronology and you listen to the questions that the Ranking Member posed of Chairman Volcker and others what you are finding out is that very few were involved in dealing with this. It was not a multitude of folks dealing with Bayoil. You have rumors and a concern being raised about surcharges. You have an American company deeply involved in the program. You get a request for information and we get nothing. We get nothing, as if a blind eye is being turned to this. So that is my frustration.

Again I appreciate your candor saying you are looking at it as a lesson of what should not be. I think that is a fair description.

Mr. Melito, I am going to come back. I have a separate line of questioning for you. I know this witness is of great concern to the Ranking Member and I am going to turn to the Ranking Member at this time and then come back to you, Mr. Melito, afterwards.

Senator Levin.

Senator LEVIN. Thank you. Thank you, Mr. Chairman. Mr. Werner, is it correct that under OFAC regulations that OFAC licensees had to follow the terms of the U.N.-approved contracts so that any violation of U.N.-approved contracts would be a violation of OFAC regulations?

Mr. WERNER. Yes, sir, that is true.

Senator LEVIN. Now who had the primary responsibility to enforce OFAC regulations?

Mr. WERNER. OFAC had the primary civil responsibility.

Senator LEVIN. Is there some office in OFAC or some individual who was supposed to enforce these regulations?

Mr. WERNER. The way OFAC was organized at the time—quite different than now—is that there was a compliance division. There was also an enforcement division and a civil penalties division, and those three separate divisions would have had some sort of overlapping responsibility.

Senator LEVIN. Now OFAC was aware of the reports that surcharges were being paid because you issued a regulation in the year 2000; is that correct?

Mr. WERNER. Yes, sir.

Senator LEVIN. Were you aware that the United States was the largest purchaser of Iraqi oil?

Mr. WERNER. I am aware of that based on the information I heard in the hearing today, sir.

Senator LEVIN. But you were not aware, or the folks at OFAC were not aware at the time?

Mr. WERNER. I cannot say, sir. I was not there.

Senator LEVIN. Did OFAC make any inquiries to Bayoil as to the nature of the purchases of Iraqi oil?

Mr. WERNER. OFAC did issue what is called a 602, which is our parlance for an administrative subpoena, to Bayoil. I think the chart indicates that fact. It was done based on the State Department request. Frankly though, Senator, when I look at that request it is not the way I would have phrased it. It did not contain any reference to the surcharge issue. It appeared to be based on just requiring records production under the licenses that had been issued and really did not get to the heart of the matter.

Senator LEVIN. How do you explain that?

Mr. WERNER. Again, I have had to reconstruct what happened. A lot of the folks who were the senior managers at the time are no longer at OFAC, so it is difficult. I have to speculate. But based on the inquiries I have been able to do, it appears that OFAC was under the impression that they were very limited in the sort of information they could ask at that time.

Senator LEVIN. Did OFAC ask any U.S. company that was buying Iraqi oil or selling goods to Iraq about the issue of paying surcharges or kickbacks to the Hussein regime?

Mr. WERNER. Not that I am aware of.

Senator LEVIN. So here is a regime which during these years we were sanctioning, we were participating in the U.N. program to make sure that Saddam would not use Iraqi oil to build more palaces, but would rather use it for humanitarian purposes. This is a regime that we were contemplating going after, we were threatening with military force. Yet we were doing nothing at OFAC to try to prevent him from lining his pockets during the years 2001, 2002, before we attacked him in 2003. We were not taking steps to prevent him from lining his pockets with money that was illicit.

How much of a higher priority could there be than that? I mean, when you think about it, this was a period of time when the Administration was making some very strong statements about Saddam Hussein and about what Iraq was doing to its people, and properly so. Congress adopted a resolution in 2002 about regime change in Iraq. So we were all very conscious about what Saddam meant to his people in terms of butchery and savagery.

How could OFAC not respond to the requests to keep money from getting into this guy's treasury?

Mr. WERNER. The only explanation I can offer, and in defense of the staff who, as I said, are highly dedicated staff—6 to 10—the number fluctuated over the years, enforcement investigators at OFAC were dealing not just with the enforcement issues associated with the Iraq program but some 20-odd economic sanctions programs including at that time not only the Iran sanctions program but also the new counterterrorism Executive Order.

I think when you look at the resources available and the way they were likely allocated to deal with all of the competing priorities of the office, which by the way is not just enforcement of programs but the Administration. So you are talking about, I think now the statistics are about 40,000 licensing and opinion requests a year that OFAC processes, 2,000 calls a week on its hotline for compliance advice. These are all demands being placed on an agency that at this point is—I counted the number of people on the Volcker Commission and I think it is about even.

So I think, again, there were difficult decisions made in prioritizing and using resources and, in 20/20 hindsight sometimes you can clearly point to where you wish you had focused your resources. But again that is always easier in 20/20 hindsight than I think it was at the time.

Senator LEVIN. Without using 20/20 hindsight, there was only one country at the time that we were contemplating going to war against. And any money that was allowed to go to that dictator would end up being used against us in a war. We were seriously talking about attacking Saddam Hussein during this period of time, so this is not like 400 other inquiries. This is like money that was going in kickbacks to a regime with whom we could be at war. That is not 20/20 hindsight. That is the reality at the time. So I do not understand your priorities.

Mr. WERNER. Again, they were not my priorities because I was not there but—

Senator LEVIN. I do not understand OFAC's priorities.

Mr. WERNER. But I have a hard time second-guessing OFAC because, again, I see the crushing amount of work and the complexity of the programs we administer now with the resources we have and I would be very reluctant to second-guess at the time as people were dealing with the emergencies that were arising and all the programs including the events created by September 11—to include that the judgments made at that time were clearly flawed. It would be difficult for me to conclude that.

Senator LEVIN. The Administration wants to connect the attack on Iraq with the event of September 11. That is what they have continually tried to connect. So you are disconnecting it, which I think is accurate, but the Administration's constant reference to September 11 as somehow or other connected with the attack on Iraq does not fit with your priority either. With OFAC's priority, to be fair to you.

Mr. WERNER. Again, I think we are all in a position of having to reconstruct what was happening at the time and that is always very difficult. But as I said, I clearly felt the need to refocus OFAC's enforcement approach because I think OFAC had been very reactive. Whatever was referred to it went into a queue. There was an overwhelming backlog of cases for a very limited number of people, and we have taken steps to try to address that. I would be kidding you and myself though if I told you that a reorganization of the office has been able to fix the demands that are put on that office by the 30 economic sanctions programs we administer.

Senator LEVIN. Let me ask you some very short, quick hopefully, factual questions. As I understand it, you received a request first from the State Department to obtain information from Bayoil in



August 2001. The State Department again contacted OFAC in early 2002 to ask for the information from Bayoil. Is that true? So far am I on target?

Mr. WERNER. I think that is true.

Senator LEVIN. Then OFAC responded, and you wrote to Bayoil requesting the report you described in April 2002. OFAC did not ask for the specific information that the United Nations wanted about Bayoil's shipments. Is that correct?

Mr. WERNER. That is correct.

Senator LEVIN. And OFAC did not instruct Bayoil to cooperate with the United Nations?

Mr. WERNER. I believe that is correct. I think OFAC's request was styled as a classic subpoena just requesting production of the documents.

Senator LEVIN. Now OFAC asked Bayoil for permission to give its response, which was inadequate, but its response to the United Nations. Is that correct?

Mr. WERNER. That is correct.

Senator LEVIN. Why did OFAC ask Bayoil for permission to send a response of Bayoil to the United Nations?

Mr. WERNER. I think that relates to—and having the chief counsel's office for OFAC talk to your staff about that might be more productive in a subsequent conversation, but I think it based on fears that the Trade Secrets Act prohibited OFAC from sharing certain information outside of the U.S. Government without the consent of the parties.

Senator LEVIN. Have you checked to see whether that in fact is correct?

Mr. WERNER. Again, I think it is a very complex legal analysis and I would be very reluctant to give you my view on that. But my understanding was that was a general concern at the time.

Senator LEVIN. Did OFAC forward the Bayoil letter to the State Department?

Mr. WERNER. From what I have been able to tell, that did not happen.

Senator LEVIN. Do you know why that did not happen?

Mr. WERNER. I do not know why it did not happen and I have tried very hard to figure it out.

Senator LEVIN. Thank you, my time is up for this round. Thank you.

Senator COLEMAN. Just if I can follow up that last point. I do not want to go back because it is right here. So OFAC asked for permission from Bayoil. Bayoil never gives permission to share with the United Nations, right?

Mr. WERNER. No, Bayoil did give permission but I cannot find any documentary evidence that OFAC followed up and actually forwarded the information to the State Department.

Senator COLEMAN. So the United Nations never obtained any information about Bayoil?

Mr. WERNER. As far as I know that is correct.

Senator LEVIN. Excuse me for interrupting, Mr. Chairman. I think the Chairman's question was did Bayoil give permission to send the information to the United Nations.

Mr. WERNER. OK, I am sorry then let me—they did not give permission to send it to the United Nations. They gave permission for us to send it to the State Department.

Senator COLEMAN. Which means to no one else. So Bayoil never gave permission then to send it to the United Nations?

Mr. WERNER. I do not know that they gave permission for that, no.

Senator COLEMAN. Mr. Melito, GAO did a report on OIOS, I think, in 1997 and at that point in time I think there were suggestions for increased transparency, which I understand were rejected by the secretary of management oversight. Between 1997 and 2005 did GAO have occasion to check as to what happened to your recommendations? Did you have further contact? Can you fill me in, in that 8-year period was there ever any follow up with what you did in 1997 prior to the Subcommittee's request?

Mr. MELITO. Part of GAO's process is we do follow up on our own recommendations, but we did not actually do any subsequent studies, because we do studies of the United Nations at the request of Congress.

Senator COLEMAN. As you look back today and go back to 1997, were there weaknesses—that eight-year period, weaknesses that were—what exists today in OIOS management and operations and how do they address—how should we address them?

Mr. MELITO. OIOS is under a lot of pressure, budgetary pressures, issues of reporting and such. I think it is recognized now. I mean, it was in the outcome document that they should actually get extra resources, and the Secretary-General is committed to looking at a study at OIOS. This is a preliminary study of ours. We are going to provide you next year with a much more expansive look at OIOS. We are concerned about issues of independence, issues of whether they are reporting to the right places and such. This is a vital part of the oversight mechanism of the United Nations and we want to make sure it is operating properly.

Senator COLEMAN. Has there been an effort to increase the OIOS budgetary base? I believe it was budgeted—a 2-year budget is \$24 million or something to that degree.

Mr. MELITO. OIOS receives—

Senator COLEMAN. But let me just say, because the issue here is budgetary independence.

Mr. MELITO. Yes.

Senator COLEMAN. That is one of the concerns.

Mr. MELITO. Yes.

Senator COLEMAN. In order to do an audit you have to get the approval of the folks who you audit, and they have to pay for it. And if they choose not to pay for it there is not an audit.

Mr. MELITO. OIOS receives its money from two sources; the regular budget, which is what you just referred to, which has been relatively flat over the last 10 years, but it also receives quite a bit of resources now from what is called extra budgetary resources. Those are from the funds and programs which are not directly under the Secretary-General and they now represent 62 percent of all OIOS' resources. And we have a particular concern about that because in those cases the heads of those organizations have to

agree to allow OIOS to audit them, which is a direct infringement on the independence of OIOS.

Senator COLEMAN. So if the organization does not agree to the audit, OIOS does not have the resources on its own to do the audit.

Mr. MELITO. In those cases, yes.

Senator COLEMAN. Can we talk just a little bit, I just want to touch on Oil-for-Food. Do you have an assessment of why OIOS did not uncover waste, abuse, fraud in the—they did a series of audits. Why did they miss what, if you look at the Volcker Report, is just so overwhelming in terms of the mismanagement and the fraud and the abuse.

Mr. MELITO. Let me preface my statement by saying, Joseph Christoff who has testified in front of this Subcommittee is actually the lead GAO official for Oil-for-Food, but I can answer a little bit of your question. As he testified last year, OIOS actually was able to audit a segment of the Oil-for-Food program, mostly the program in the north. And in those cases I think OIOS did identify some cases of fraud, waste, abuse, and such. But the headquarters of operations of Oil-for-Food as well as operations based in Baghdad in the south, OIOS was unable to look at, and that, I think probably restricted its ability to report on some of the things which have come up since then.

Senator COLEMAN. Then could you tell us the reason why they were not able to look at it?

Mr. MELITO. One example is similar to the concern that we are raising today about extra-budgetary resources. The head of Oil-for-Food denied OIOS from doing basically a risk assessment of the Oil-for-Food program.

Senator COLEMAN. Is that Benon Sevan?

Mr. MELITO. Yes.

Senator COLEMAN. Who was found to be getting oil allocations and in essence being bribed by Saddam Hussein?

Mr. MELITO. I believe so, yes.

Senator COLEMAN. The U.N. reform summit that just took place a couple weeks ago calls for major comprehensive review of U.N. auditing and oversight. Do you have any information on the status of that review?

Mr. MELITO. I think the Secretary-General is expected to announce the details in November, so probably in the next few weeks.

Senator COLEMAN. Is that the review itself or is that the process of review that he is announcing? Do you know if the review is going on right now?

Mr. MELITO. I think the review has not begun yet. So he will announce actually the timetable, who is going to do it and such in November.

Senator COLEMAN. If we do not address the budget issue, one of my concerns is that you have a U.N. biennial budget that is normally completed in December 2005, and if you do not change the budget process you cannot strengthen the auditing process. Is that a fair statement?

Mr. MELITO. I want to reiterate, there is a commitment to increase the resources of OIOS so I am not sure what the final budget allocation to OIOS will be. But I do agree with your larger point

that there is a strong connection between what is in the budget and how they are going to reform the organization.

Senator COLEMAN. One of my concerns, I believe the current head of OIOIS has questioned the need for some of those increases in resources.

Mr. MELITO. I did see that, but I also saw a statement where she herself expressed concerns about the independence of the office and its reliance on extra-budgetary resources, so I am hearing mixed signals coming from different sources.

Senator COLEMAN. I am deeply troubled though if the head of the organization does not understand it and have a strong commitment to strengthening the auditing process.

Can we talk a little bit about procurement? I believe we have one case where an individual has actually been charged with crimes related to the procurement process. What is the challenge—can you give me your understanding of why the United Nations has failed to adopt several internal proposals for clarifying ethics regulations for procurement staff and vendors, such as a code of conduct. Why is it so difficult to get that enacted?

Mr. MELITO. Those changes are actually moving along, I want to say, by U.N. terms, relatively quickly.

Senator COLEMAN. Is that iceberg speed, if it is moving a little faster? Is that U.N. terms?

Mr. MELITO. I think those will be adopted sometime in the next few months. I cannot speak to why it has been going so slow. I do know that it is currently a priority.

Senator COLEMAN. But you would certainly support a code of ethics for procurement officers?

Mr. MELITO. Certainly.

Senator COLEMAN. Financial disclosure?

Mr. MELITO. Certainly.

Senator COLEMAN. Gift limitations?

Mr. MELITO. Yes.

Senator COLEMAN. You talked a little bit about independent bid protest system. Can you explain to the Subcommittee why the absence of that independent bid protest system contributes to failure of the procurement system?

Mr. MELITO. Certainly. It is best to speak how it works in the U.S. system. Under the U.S. system, if a losing bidder has concerns of, among other things, he did not think the process was implemented correctly, there is an independent entity—there are two of them—one of which is GAO. The GAO is then required to look into it and make sure the processes were followed. And that is somewhat of an inspection process, and an investigation process. And if we then find that there were problems, that actually could undo the contract and it also may reveal problems at that particular agency.

Senator COLEMAN. Can you tell then what the status of the Secretary-General's special analysis of the U.N. procurement system is?

Mr. MELITO. There is an independent firm who has been hired and is about halfway through their study. Our understanding is it is going to report to the Secretary-General some time toward the

end of November. We are not quite sure what happens at that point.

Senator COLEMAN. How can GAO help us do a better job of staying on top of this auditing system in the United Nations? Because the issue for many of us is accountability and transparency. You have a system now that does not provide a measure of accountability. The independent auditing process is not effective today. So there is discussion of reform and there is a question of timing of reform. How do we do a better job of staying on top of that?

Mr. MELITO. I think sustained pressure on the United Nations, including having GAO look at it is an important device. There was a lot of interest in looking at the United Nations in the late 1990's, early 2000, and now there is another effort now. It would be better if this process was continuous, I think.

Senator COLEMAN. We will certainly from this vantage point do our best to make sure the pressure is continuous.

Senator LEVIN.

Senator LEVIN. Just one question for Mr. Melito.

Do you have any ideas about possible management reforms that would enable the United Nations to compel member states to police their nationals?

Mr. MELITO. I do not actually know how that could work, and that is actually an area that I have not looked into. Potentially we could come back to you with an answer on that.

Senator LEVIN. But in all the management reforms that have been discussed, proposed to you, studied, you have not come across any of those that might have that positive effect?

Mr. MELITO. No. The only thing I can think of right now is if a particular violation of law occurs, say in the procurement service or something, that person can be prosecuted in his home country or the country that he committed the violation. But that is a legal issue.

In terms of ethics, it is more of an employment issue with the United Nations. But I am not sure I am answering your question.

Senator LEVIN. But you have not come across any proposed management reforms?

Mr. MELITO. Not that we have seen, no.

Senator LEVIN. Thank you. Thank you, Mr. Chairman.

Senator COLEMAN. Gentlemen, I want to thank you. Mr. Werner, I want to say in particular, you are in a difficult position here. You are trying to explain things that for many of us are not explainable, or not satisfactorily explainable in terms of why things were not acted upon, delays. But I do want to welcome your efforts to redirect OFAC's enforcement efforts and the Administration. Given the importance of monitoring sanctions, blocking assets of terrorists, money launderers, we need an effective OFAC today, probably now more than ever, so I do appreciate you being here today.

Gentleman, I thank you.

Senator LEVIN. On that issue, if I could, I thank you for—and I join you in that comment too, Mr. Chairman. But also, do you need more staff? You have laid out a real busy agenda and demand on your resources here. Have you requested more staff than you have been authorized?

Mr. WERNER. The President's budget for 2006 does request additional FTEs for OFAC and we are continuing to work with the Treasury Department. As I said, we have 30 programs, counter-terrorism, Iran, Syria, and Sudan. The demands are intense.

Senator LEVIN. Thank you.

Senator COLEMAN. With that, gentlemen, I want to thank you for your testimony today and this hearing is now adjourned.

[Whereupon, at 3:39 p.m., the Subcommittee was adjourned.]

# APPENDIX

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Briefing by Paul A. Volcker  
Chairman of the Independent Inquiry Committee  
Into the  
United Nations Oil-for-Food Programme  
for the  
Permanent Subcommittee on Investigations  
of the United States Senate  
Washington, D.C.

October 31, 2005

Mr. Chairman, Senator Levin, and Members of the Committee:

As you are aware, the Independent Inquiry Committee of the United Nations into the United Nations Oil-for-Food Programme last Thursday issued its final Report. In that light, your request for an informal briefing is timely, and as Chairman of the Committee I am glad to respond.

In doing so, I should emphasize that our inquiry has been an international effort. My two fellow Committee members are Justice Richard Goldstone, widely known and respected for leading investigations both in South Africa and for war crime tribunals, and Professor Mark Pieth from Switzerland, who has actively led work in the OECD and elsewhere on efforts to curb corporate corruption and money laundering. Over half of our roughly 75 person staff of attorneys, investigators, forensic accountants and administrators is from 27 other countries.

On September 7, we issued a lengthy report reviewing in detail the overall management of the Oil-for-Food Programme by the Security Council, the UN Secretariat led by Secretary-General Kofi Annan, and nine UN-related Agencies. Each of those bodies had substantial and often overlapping responsibilities for implementing the Programme. That detailed Report concluded that the administration by the Security Council, the Secretariat, and certain UN Agencies failed in important respects and was, indeed, marred by corruption. I draw your attention particularly to the brief Preface to that Report which has been made available to Committee members.

Our even larger final Report reviews the Programme from a different angle. Specifically it describes the ways and means by which the Saddam Hussein regime in Iraq manipulated the Oil-for-Food Programme to its own ends.

As a result of that manipulation and with the complicity of thousands of companies, other entities, and individuals, close to \$2 billion were siphoned off illicitly into the coffers of the former Iraq regime at the expense of its own suffering population. One result was to reduce the amount of funds available to the new Government of Iraq today. Our Report contains a detailed analysis and a number of specific examples of the manner in which so-called "surcharges" were imposed by Iraq on those purchasing Iraq oil, or "kickbacks" were required from those supplying humanitarian goods under the Programme.

What stands out from that analysis is not only the individual instances of corruption and failures of sufficient diligence by important UN contractors, important as that is. One overriding theme is the politicization of the process. Saddam plainly chose to favor those nations, companies, and individuals that he felt, rightly or wrongly, would assist his efforts to end the sanctions imposed at the end of the Gulf War. It is also true, as our earlier reports have emphasized, that political differences and pressures within the United Nations Organization itself—the Security Council, the Secretariat, and some UN Agencies—frustrated appropriate and effective response to the manipulation and corruption of the Programme.

What I particularly want to emphasize is that the corruption of the Programme by Saddam and by many participants—and it was substantial—could not have been nearly so pervasive if there had been more disciplined management by the UN and its Agencies. In that sense, this last Report reinforces and underscores the need for fundamental and wide ranging administrative reform that we emphasized in delivering our report last month.

That, I think, is the central point that emerges from this Inquiry.

Let me try to put this in perspective. The Oil-for-Food Programme presented a very large, very complicated challenge to the UN. It was the “mother” of all UN humanitarian programs. It involved more financial flows than all the ordinary operations of the Organization. Thousands of new employees were required and hired. And the Oil-for-Food Programme was not just a humanitarian program—it was an integral part of an effort to maintain sanctions against Iraq and to keep Saddam from obtaining and maintaining weapons of mass destruction.

In both of these objectives, humanitarian and security, it had a measure of success. But that success came with a high cost—in my judgment, a really intolerable cost—of grievously wounding confidence in the competence and even the integrity of the UN.

In terms of money alone, the illicit payments to the Saddam regime within the Oil-for-Food Programme were dwarfed by Iraq trade with Jordan, Turkey, and Syria, in violation of the Security Council sanctions. Over the years of the Programme, that “smuggling” amounted to more than \$8 billion. The smuggling, at least in direction if not in amount, became known to the Security Council (and specifically to the United States), but no action was taken to deal with it. I have little doubt that laxity in that respect, a willful closing of eyes if you will, was symptomatic of attitudes that led to mal-administration more generally.

The Oil-for-Food Programme may be unique, never to be repeated. But other large and complex challenges—humanitarian, environmental, genocidal, or other—are sure to appear, alone or in combination. What is at stake is whether that Organization will be able to act effectively—whether it will have the funds, the professional competence, the administrative leadership to respond.

Those are not just “technical” requirements for effectiveness. They are necessary to support any claim the UN Organization can make to competence and credibility—and without credibility and confidence, legitimacy cannot be sustained.



The Committee's simple conclusion is that administrative reform is indeed urgently needed if the UN is to be looked to in the future to deal with large humanitarian, environmental, genocidal and other threats. All too often, crises come with little warning, and they extend across national borders and beyond the political and management capacity of individual countries or ad hoc coalitions. Then, there will be a demand for the UN to respond. But if the Organization itself is unable to command confidence in its administrative procedures and competence and in its honesty, then it, too, will have lost its capacity to respond effectively.

In essence, we emphasize four areas where prompt reform is essential.

1. In initiating and approving UN intervention in critical and administratively complex areas, the Security Council needs to clarify purpose and criteria. Execution then should be clearly delegated to the Secretariat and appropriate Agencies, with understood lines of reporting responsibility.

2. That delegation, and the capacity to carry it out effectively, will require a substantially stronger focus on administrative responsibility. Experience indicates that that necessary focus and capacity is not likely to be found in the office of the Secretary-General as presently instituted. Secretaries-General understandably are preoccupied by political and diplomatic concerns. They are chosen in that light. Experience indicates that subordinate appointees, whatever their formal responsibilities for administration, have simply been unable to enforce the discipline necessary.

Hence, we recommend that a position of Chief Operating Officer (COO) should be created, with the incumbent, like the Secretary-General himself, nominated by the Security Council and approved by the General Assembly. While reporting to the Secretary-General, the new COO would have the status conferred by direct access to the Security Council, with authority for planning and personnel practices that emphasize professional and administrative talent.

3. Internal control, auditing, and investigatory functions need to be strongly reinforced. We believe that will require a strong "Independent Oversight Board," with adequate staff support and the capacity to fully review budgeting and staffing of accounting and auditing functions.

4. In large programmes extending by their nature over more than one operating arm or agency of the UN with a common source of funds, the Security Council and the Secretary-General must demand effective coordination from the start. A clear and agreed memorandum of understanding should be reinforced by common accounting and auditing standards.

I realize these recommendations for the most part closely parallel those by others who have assessed the work of the UN. Nonetheless, I believe the IIC adds something unique to the

discussion. The IIC investigation – so far as I know an investigation unparalleled in intensity of a major UN programme – provides unambiguous evidence of a systemic problem.

I won't claim – no one can – that our review has touched every aspect of the Oil-for-Food Programme, with its thousands of contractors, the number of member states involved, and the difficult working environment. We do feel confident, however, in the judgment that real reform is needed.

Verbal and moral support of that objective is not enough. Clear benchmarks for progress must be set. And it is the member states themselves, through the General Assembly and otherwise, that must drive the process.

As things stand, the UN simply has lost the credibility and the confidence in its administrative capacities necessary for it to meet large challenges that seem sure to arise in the future.

But I believe our investigation can have a different, and far more satisfactory, result.

My hope is that it can be a catalyst, a needed springboard, for a truly effective reform effort – an effort that for too long has been more a matter for talk than for action.

**STATEMENT OF  
FORMER SPEAKER OF THE HOUSE NEWT GINGRICH  
BEFORE THE  
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
MONDAY, OCTOBER 31, 2005**

Chairman Coleman, Ranking Member Levin, and members of the subcommittee:

I appreciate the opportunity to testify today about the current state of U.N. reform, with particular emphasis on the status of much needed management reforms.

As the subcommittee is aware, I participated as co-chair of a congressionally mandated task force on U.N. Reform with my friend and colleague former Senator Majority Leader George Mitchell. I did so because I share the belief that a dramatically reformed U.N. can be an effective instrument in the pursuit of a safer, healthier, more prosperous, and freer world – all goals which serve American interests and the interests of our democratic allies.

Since the task force issued its report on June 15, 2005 Senator Mitchell and I testified about its findings before the Science-State-Justice-Commerce Appropriations Subcommittee in the House of Representatives on June 22, 2005 and the Senator Foreign Relations Committee on July 21, 2005.

Our testimony took place prior to this subcommittee's recent reports on the Oil-for-Food scandal, as well as prior to the additional reports released by the Independent Inquiry Committee (the "Volcker Commission"), also in connection with the Oil-for-Food scandal.

This testimony also took place before the U.N. General Assembly World Summit that was convened in New York a little over one month ago and specifically charged with moving forward an aggressive U.N. reform agenda.

These intervening reports and the 2005 World Summit Outcome provide an appropriate basis to draw some conclusions about what should be the nature of the ongoing relationship between the United States and the United Nations.

And those conclusions are straightforward:

1. The results of the 2005 World Summit were not at all encouraging and the United States should insist on being honest about the manifest failures of the United Nations to reform itself. The 2005 World Summit Outcome document should be seen as a decisive failure and we can only conclude that the Secretary General's efforts at reform have clearly failed in the General Assembly.
2. Given the World Summit's failure to achieve fundamental reforms and the fact that the United States, which funds 22 percent of the U.N.'s "regular" budget, has a special responsibility to promote accountability, transparency,

and honesty, the United States should insist that henceforth all U.N. dues be made voluntary and that voluntary dues should be made a permanent change for the financing of the entire U.N. institutional system. The U.N. has forfeited any right to make non-negotiable demands for money from the U.S. taxpayer and from the taxpayers of any other member state. And because the U.N. does not have the moral authority to make non-negotiable demands on any member state, the Administration should consider submitting to Congress on an annual basis the amount of its proposed voluntary dues for the United Nations. This amount should then be subject to the normal appropriations process and subjected to the same oversight on how well the U.S. Treasury's money is spent as is the case with all other U.S. taxpayer appropriated monies.

3. Along with this move, the United States should start exploring the idea of putting together a coalition of the willing (including Japan) – a U.N. reform caucus -- on phased withholding of voluntary U.N. dues until such time as the U.N. adopts fundamental reforms that meets with the satisfaction of the U.S. Congress and other members of this coalition. This reform caucus, for example, could indicate that a limited portion of the U.N. dues of each member of the caucus will be withheld if the U.N. fails to achieve certain milestones, such as the prompt creation of perhaps the two most urgent management reforms: creation of a Chief Operating Officer and an Independent Oversight Board by the end of December 2005. The member states of this reform caucus should also together undertake a thorough evaluation of the Volcker Commission report and determine what additional set of reforms should be proposed and advocated in light of its findings.
4. The Volcker Commission latest report on the manipulation of the Oil-for Food program outlines how \$1.8 billion dollars was stolen from the Iraqi people through various surcharges and kickbacks. The U.S. Department of Justice should establish an international legal task force charged with recovering for the Iraqi people the millions that were stolen by the corrupt politicians and companies who cheated the Iraqi people.
5. Given the World Summit's failure to achieve fundamental reforms, the United States should begin to aggressively encourage, at every opportunity, alternative forums for international activity. United States representatives should also take every opportunity to contrast a democratic, transparent accountable internationalism with the corruption-prone, irresponsible, dictatorship dominated, and anti-American, anti-Israel system of the United Nations. The first step should be for the United States to lead a coalition of democracies in the creation of a new Human Rights Council outside of the U.N. if the U.N. General Assembly fails to replace the thoroughly discredited U.N. Human Rights Commission with a new U.N. Human Rights Council composed of democracies by the end of December 2005.
6. The United States should continue to pursue a strong U.N. reform agenda and every American ambassador in the world should be assigned the task of lining up votes for U.N. reforms as a major goal of their diplomatic activities. Key first tests of a new emphasis on lining up votes will be whether the U.S. can (i) lead the General Assembly in creating a new Human Rights Council

as a replacement for the current U.N. Human Rights Commission by the end of December 2005, and (ii) successfully win a U.N. General Assembly vote to abolish the Committee on the Exercise of the Inalienable Rights of the Palestinian People and of the Division of Palestinian Rights.

7. The burden should not be on the United States to beg the United Nations to reform itself. The burden should be on U.N. member states to create a United Nations worth supporting. But to achieve these needed reforms, America must first be united in the common vision that the U.N. must be a fundamentally limited, but honest and effective institution. With such a common vision, the Congress can then forcefully act to hold the U.N. accountable for results.

#### **The United Nations and the Long War for Civilization**

You have invited me today to discuss much needed management reforms at the U.N., but let us not for a moment forget the larger context in which we are discussing the urgent need for U.N. reform.

Four years ago, terrorist enemies killed almost 3,000 innocent Americans in New York, Pennsylvania, and Washington, D.C.

Thousands of other innocents have been murdered and maimed since by terrorist enemies in London, Madrid, Beslan, Bali, Jerusalem, Baghdad, Istanbul, Sharm-el-Sheikh, New Delhi, and many other cities.

The terrorist Ayman Al-Zawahiri is explicit about Al Qaeda's "right to kill four million Americans--two million of them children—and to exile twice as many and wound and cripple hundreds of thousands."

The civilized world is in the fourth year of a global war against a committed ideological foe bent on using terror.

At the same time, genocide continues unstopped in Darfur ten years after the world vowed that Rwanda would be the last genocide.

And we have been reminded in the past two weeks that it is not only terrorists in the shadows who threaten civilization. We also continue to face the long familiar challenges from thug dictators and dictatorial regimes.

First, we learned that a U.N. authorized investigation into the murder of former Lebanese Prime Minister Rafik Hariri has preliminarily concluded that there is converging evidence pointing at involvement in this murder by the Syrian government.

And now just last week the President of Iran, Mahmoud Ahmadinejad, publicly proclaimed that "Israel must be wiped off the map" and that a new wave of attacks in Palestine would "wipe off this disgraceful blot from the face of the Islamic world." And in the manner of a criminal thug, the President of Iran, a U.N. member state, went on to threaten that "anybody who recognizes Israel will burn in the fire of the Islamic nation's fury."

Prime Minister Blair has forcefully denounced Ahmadinejad's statements, while the BBC reports that the UK Foreign Office does not regard President Ahmadinejad's statement on Israel as new policy, which appears correct. In September 2004, the New York Times reported that at a military parade featuring the Shahab-3 missile, with a range that could reach Israel, former Iranian President Khatami said that "[w]e have made our choice: yes to peaceful nuclear technology and no to nuclear weapons." Yet, the Times went on to report that the missiles at the parade behind Khatami were draped with banners that read "Crush America" and "Wipe Israel Off The Map," according to The Associated Press and Agence France-Presse.

Indeed, "wiping Israel off the face of the map" seems to be a quite conscious and consistent policy aim of the Iranian government.

Reading such statements of the Iranian leadership calls to mind the reported response of a Holocaust survivor. When asked what lesson he had drawn from the experience, he answered, "When someone tells you he wants to kill you, believe him."

We can draw only one conclusion from this litany – that we are in a long struggle for civilization. It is at once a global military fight, a diplomatic challenge, and a battle of ideas between those who would defend civilization and those who would destroy it. At every point in this long struggle, a reformed and an effective U.N. would be a tremendous ally on the side of civilization.

A U.N. that can honestly confront the challenges of this struggle, such as accurately defining terrorism and telling the truth about the Iranian nuclear program and confronting the thuggish behavior of the Iranian government, as well as honestly describing and confronting the genocide in Sudan, and other horrific human rights violations and deprivations worldwide, would contribute enormously to American safety at home and liberty abroad.

It is for these reasons that the United States is intensely interested in the progress of U.N. reform -- or the lack thereof.

#### **Failure of 2005 World Summit**

Notwithstanding a very detailed blueprint for management reform provided by the Task Force on U.N. Reform and the Secretary General, the U.N. General Assembly 2005 World Summit did not adopt any meaningful management reforms. Among many failures, the Summit failed to:

- (i) Expand and make more independent the Office of Internal Oversight Services;
- (ii) Conduct an independent evaluation of U.N. auditing and oversight;
- (iii) Create an independent oversight board;
- (iv) Adopt a code of ethics;
- (v) Establish a Chief Operating Officer; and
- (vi) Establish a Sanctions Office.

At best, the General Assembly asked the Secretary General to submit more detailed proposals on various management reforms, or promised to consider certain such reforms in the future.

Given the stakes described above, delay and deferral of much needed management reforms at the U.N. is not good enough. In wake of the Volcker Commission Report, and this

subcommittee's findings in the oil-for-food scandal, the U.N.'s lack of meaningful progress on management reform borders on institutional malfeasance.

Considering the lack of urgency the General Assembly has just shown toward institutional reform, the United States should consciously and deliberately pursue a twin track approach to the United Nations.

With respect to the first track, the United States should make every effort to strengthen alternative international institutions that can more effectively deal with the international challenges that the U.N. was designed to address.

With respect to the second track, the United States should continue to make aggressive efforts to reform the U.N. In this effort, the U.S. should move to make all contributions to the U.N. voluntary and work with a coalition of the willing to coordinate a phased withholding of U.N. dues until the U.N. adopts needed reforms.

As discussed, an effective U.N. could significantly enhance American safety by helping to counter terror and nuclear proliferation, among other benefits. As noted above, the U.N. investigation into the murder of the former Lebanese prime minister is an important contribution to bringing those responsible to justice. In addition, the U.N. has made very important contributions to the holding of free elections in a number of countries. For these reasons and others, and despite its record of grievous and real failures, the U.N. is a system worth reforming rather than a system to be abandoned.

Nevertheless, while failure of U.N. reform can continue to be an outcome for the United Nations, the United States and our democratic allies need effective multilateral instruments for saving lives and defending innocent people and therefore we cannot accept continued U.N. failures to achieve meaningful reforms. The United States and its democratic allies therefore need to begin aggressively pursuing other avenues for effective action since the U.N. so far refuses to reform itself. America and its democratic allies cannot be prevented from doing the right thing by the unwillingness of other U.N. member states.

#### **The U.S. Should Move For the Entire U.N. System To Operate With Voluntary Dues**

The Administration was exactly right in raising the question in Ambassador Bolton's testimony whether we should move from an assessed contribution model to a completely voluntary dues paying model for all U.S. tax payer contributions to fund U.N. expenses.

The answer to this question is yes.

The Congress should embrace moving to a model of completely voluntary dues to the U.N. and should do so promptly.

Moving to a voluntary dues model is not an excuse to be cheap. The U.S. pays voluntary dues to the World Food Program (WFP) in a proportion substantially larger than our 22% share of the general U.N. budget. Former U.N. Under Secretary-General for Management and former head of the WFP Catherine Bertini is very persuasive in her description of the positive impact of voluntary dues upon the effectiveness of the WFP. She noted that "voluntary funding creates an entirely different atmosphere at WFP than at the U.N. At WFP, every staff member knows that we have to be as efficient, accountable, transparent, and results-oriented

as is possible. If we are not, donor governments can take their funding elsewhere in a very competitive world among U.N. agencies, NGOs, and bilateral governments."

We need to bring to all operations and personnel of the U.N. system the knowledge that every WFP staff member has that they need to be as efficient, accountable, transparent, productive, honest, and results oriented as possible, lest donor governments determine that alternative international mechanisms offer more effective solutions and better returns for the contributions of dues paying members.

**The U.S. Should Organize a U.N. Reform Caucus to Explore Phased Withholding Strategy by Milestones Achieved**

The United States should work with other reform minded U.N. members in establishing a dues paying model within the United Nations. The U.S. can also work with such countries in determining the common areas of agreement on a reform agenda. In particular, the issue of sexual abuse by U.N. peacekeepers was not effectively addressed by the World Summit Outcome document and must be kept at the forefront of the reform agenda.

The reform caucus should also together undertake a thorough evaluation of the Volker Commission report and determine what additional set of reforms should be proposed and advocated in light of its findings.

Once a reform caucus within the U.N. has identified a common agenda, they will likely be far more persuasive with other U.N. members to achieve reform than if the United States acted alone. Moreover, the reform caucus need not threaten to withhold voluntary dues unless the entire common reform agenda is adopted all at once. It is likely wiser for the reform caucus to establish milestones for reform, and indicate that a certain portion of voluntary dues will not be voluntarily contributed to the U.N. unless such reforms are adopted by a certain time. So, instead of 50% withholding by the U.S. alone, the U.N. could be faced with the voluntary withholding of 5% of dues by a broad coalition of U.N. donor countries.

A phased withholding strategy by a reform caucus or coalition of the willing could start with advocating the immediate adoption of two of the most commonly agreed upon reforms, namely a Chief Operating Officer and an Independent Oversight Board.

The World Summit did not take action on either, and there is the danger that no action will be taken before the adoption of the biennial budget in December, which would preclude the U.N. budget from reflecting such changes for the next two years. That should not be allowed to happen. The U.S. should move aggressively to organize a coalition of the willing to insist the adoption of these two straightforward reforms, recommended by both the Volcker Commission and the Task Force on U.N. Reform, by the end of the year.

It is hard to see how the American people, or the taxpayers of any U.N. dues paying member state, will continue to tolerate paying into a system that lacks such fundamental financial safeguards and which fixes have been identified by the very independent inquiry committee named by the U.N. to look into its management practices in the Oil-for-Food scandal. The U.N. need not adopt all the desired management reforms by the end of the year, but the most basic management reforms should be, and the United States and other reform minded U.N. member states should insist on it.

As Ambassador Bolton noted, reform is forever. Nevertheless, it needs to start, and it needs to do so with some meaningful reforms this year.



**The United States Should Aggressively Develop Strong International Institutions That Provide Alternative Instruments to Save Lives and Defend Innocent People**

A good example of a U.S. action with respect to pursuing the "first track" concerns the U.N. Human Rights Commission. This 53-member U.N. body has become so discredited that the United States should refuse to participate in it if the U.N. has not authorized a replacement by the end of December 2005 and should set aside the proportion of its dues that goes to subsidize it and assign those monies to an independent Human Rights Commission, which the United States should propose creating along with other democracies.

The plain and simple facts are that known human rights abusers have served on the U.N. Human Rights Commission, illustrated by the fact that today the Government of Sudan is currently serving its second term on the Commission, and that Libya, the same nation that accepted responsibility for the murder of 189 Americans in the bombing of Pan Am 103, was elected as Chair of the Commission in 2003. Moreover, between 1987 and 1988 Iraq was a member in good standing of the Commission at the very time that Chemical Ali was using mustard gas and Sarin nerve agents upon Iraqi Kurds.

In effect, the dictators and the murderers have systematically come to dominate the institution designed to bring them to justice.

Like the oil-for-food scandal, the U.N. Human Rights Commission completely undermines the integrity and decency of the entire U.N. and should be offensive to free peoples everywhere. Even Secretary-General Annan recognizes that "we have reached a point at which the commission's declining credibility has cast a shadow on the reputation of the U.N. system as a whole and where perceived reforms will not be enough."

It is for these reasons that the Gingrich-Mitchell task force unanimously called for abolishing the current Human Rights Commission and replacing it with a new Human Rights Council, which should be composed of democracies. We need to recognize, however, that given the present culture of the U.N. General Assembly, it will be a great challenge to prevent the election of human rights abusers to such a Council. That challenge will be met only if a major effort is undertaken to line up the votes of U.N. member states whose governments believe in the basic principles of human rights and are prepared to instruct their representatives at the U.N. to vote accordingly.

Since the World Summit failed to take decisive action to reform this institution, the U.S. should not wait any longer than the end of this year to withdraw from the currently constituted U.N. Human Rights Commission and lead a coalition of democracies in standing up an alternative outside of the U.N. system.

**United States Representatives Should Take Every Opportunity to Contrast the Current U.N. with the Values of Democratic Internationalism**

World leaders gathered last month at the World Summit, four years after 9/11, to take action to reform the United Nations so it can live up to its charter ideals of preventing war and reaffirming faith in fundamental human rights.

They failed to take sufficient action. As a result, representatives of the U.S. government should take every opportunity to draw the contrast between the U.N. that currently exists and

the values of democratic internationalism that the United States will strengthen in alternative institutions.

American representatives can explain that every American who wants to avoid a repeat of 9/11, every British, Spanish, and Indonesian citizen who wants to avoid a repeat of the London, Madrid, and Bali bombings, every Israeli who wants an end to the suicide bombings, and every Iraqi who yearns to build a just and peaceful society based on the rule of law, has an interest in a dramatically reformed U.N.

Each nation's citizens need a U.N. that can be counted on as ally in the long war for civilization in which we are all unavoidably engaged.

Unfortunately, we cannot count on the U.N. in its current form, as it remains a corruption-prone, unreformed, irresponsible, dictatorship dominated, and anti-American, anti-Israel system.

How can we take the U.N. very seriously when it has thus far failed to end its second-class treatment of Israel and reject neutrality in the face of anti-Semitism. Instead, the U.N. maintains its institutional propaganda machinery responsible for the year-round, global campaign of discrimination and demonization of Israel, namely the Committee on the Inalienable Rights of the Palestinian People, the Special Committee to Investigate Israeli Human Rights Practices, the Division of Palestinian Rights, and the sub-section of the Department for Public Information on the Palestinian Issue.

U.S. representatives should not relent in pointing to this as but one example of the corruption that continues to permeate an unreformed United Nations system. The Volcker Commission and this subcommittee's reporting provides thousands of pages of additional examples that point to what Paul Volcker has termed a U.N. "culture of inaction", which has quite directly led to corruption among some of its officials and discredited the effectiveness of the institution.

By now one would think it was quite evident to all U.N. members the nature of the enemies of civilization. The same terrorists and state sponsors of terror who want to kill all the Jews in Israel are the same murderers and sponsors who are killing innocent Muslims in Iraq for wanting to build a society of free men and women. It is the same terrorists who murdered Sergio Vieira de Mello and twenty one other United Nations staff members in Baghdad.

The terrorists -- and the ideology that they represent -- neither want Jew nor Muslim, Israeli nor free Iraqi, to stand in the way of their vision of Taliban-like dictatorships throughout the Middle East.

By contrast, Israel is a country that manifests the values that the U.N. should defend and embrace, not condemn.

The United States and Israel share a special bond rooted in our democratic traditions of government, our pluralistic societies, and our common respect for faith -- not just one faith, but all faiths, and for all people of goodwill. These values are central to our national identities and unite us in a common vision for what we expect from the U.N. The U.N.'s past and current treatment of Israel has fallen dramatically short of these ideals. When the U.N. moves finally to end the second class treatment of Israel, it will provide an important indication that U.N. reform is truly moving in the right direction.

**The United States Should Continue to Aggressively Work for a Fundamentally Reformed United Nations**

It is essential that we recognize and fully understand the fundamentally anti-American culture that prevails at the United Nations. Diplomats from a good many countries that are friendly to the United States arrive in New York without any bias against us. But they then acculturate themselves to conditions around them. They may not be anti-American in their personal views of the United States. But they consider it necessary, so as to be accepted in their surroundings, to be elected to chairmanships and derive other benefits from their New York assignment, to oppose the United States by voice and vote.

There are, of course, diplomats in New York whose anti-American stance correctly reflects the views of their governments. But, as I have indicated, anti-American statements are often made and votes against United States positions are often cast by countries that are really good friends of ours. One diplomat was quoted to me as having said: "I didn't know anyone noticed and I didn't know anyone cared." In many instances heads of government and even foreign ministers do not have any knowledge of the votes cast by their representatives in New York. If they do know about the votes, they believe that the United States really does not care a great deal about the way their votes are cast.

Let me note here that a good many of the states that vote against United States positions are the recipients of assistance from us or are interested in trade legislation. They are aware that in providing such help we do not care about their U.N. voting practices, that there is indeed no linkage. There is good reason to believe that we are the only one of the major granters of assistance that follows that policy.

The result of this failure in capitals of friendly states to understand that the United States really cares about votes cast at the UN is well illustrated by the State Department's annual Report on Voting Practices in the United Nations. The most recent such report, on the 2004 Session of the UNGA, shows that only 10 out of the other 190 members voted, on roll-call votes, with the US 50% or more of the time. Four of them were small Pacific Island states, Marshall Islands, Micronesia, Nauru, and Palau. The other six were Albania, Australia, Canada, France, Israel, and the UK.

The challenge before those of us who believe in the principles of the United Nations Charter, but who also believe that the UN as it operates today has betrayed these principles, is to effect change in the voting practices at the UNGA. I believe the United States can lead other countries in an effort to successfully reform the United Nations but it will take significant work over the long haul.

In the first place a decision will have to be made that the UN is important enough to us to link our multilateral diplomacy with our bilateral diplomacy. This will involve old fashioned diplomatic shoe leather and will require engaging in what amounts to a sustained and major worldwide whip operation contacting the governmental leadership of friendly countries to make it clear that the United States cares about how they vote at the U.N. I can readily understand that many of our Ambassadors are overwhelmed by the issues that face them day to day in dealing with the problems that relate to the relationship between the United States and the country to which they are accredited. What goes on in New York is not really on their radar screen. So, when instructions from Washington arrive that require the Embassy to present a demarche on a UN issue, the task is assigned to a junior officer.

The resultant problem is well illustrated by the remark of a head of state that has been quoted to me. "If they send in a Second Secretary," he said, "it means it is a secondary issue." It follows that if we want to make it clear that the UN is a primary issue for us, the contacts should be made by Ambassadors, Assistant Secretaries and higher, and members of Congress. This effort has been made sporadically heretofore. But what is needed is a systematic concerted effort, a whip operation. That has simply not been undertaken to date.

A key first test for a concerted effort by the U.S. to win U.N. votes should be an upcoming vote in the [GA Assembly] concerning the abolishment of the Committee on the Exercise of the Inalienable Rights of the Palestinian People and of the Division of Palestinian Rights. Ambassador Anne Patterson, U.S. Deputy Chief of Mission at the United Nations, made a statement last week that both entities are "inimical to the aim of ensuring that U.N. monies are directed to our highest priorities and in achieving a just and lasting solution to the Israeli-Palestinian conflict." She went on to say that the United States "strongly opposes the use of scarce U.N. resources to support the biased and one-sided political activities carried out by the Committee."

A key point to keep in mind here is that the goal to attain peace between Israel and the Palestinians is a highly important element of United States foreign policy. Looking at the Charter of the United Nations, one would think that the UN would indeed line up in full support of our policy. But, instead, it takes action that gives aid and comfort to those who stand in the way of a peaceful settlement.

Because of the importance of this issue to the realization of our foreign policy goal in the region, the United States needs to win this vote and we should go about organizing the support of our friends and allies to win it. This should be not just a matter of high importance of U.S. Ambassadors around the world, but also of every member of Congress, who can play an influential role with foreign Ambassadors assigned to Washington or with high-ranking foreign government officials whom they know. Members of Congress should take every opportunity to relay the message to these foreign representatives that we are paying attention to their vote, that their vote matters, and that we will remember how they vote.

#### **American Interests Call for a Fundamentally Limited, but Honest and Effective United Nations**

In all our efforts to reform the U.N., especially with respect to much needed management reforms, it is absolutely necessary we keep in mind our larger vision for what we expect from the U.N. Through my work on the task force, I have come to the conclusion that American interests call for a fundamentally limited, but honest and effective U.N.

The U.N. must be a fundamentally limited institution because it has no democratic accountability but has at times pretensions of asserting legitimacy akin to that of a democratic nation state. For example, large international meetings sponsored by the U.N. often aim to create new systems of "law" and new "norms" of international behavior under the guise of "global governance." These present a direct threat to American sovereignty and our system of Constitutional liberty and therefore must be rejected.

The U.N. is neither accountable nor responsible to a democratic electorate, genuine democratic institutions, nor the give and take of national democratic politics.

Our founding fathers separated power among three branches and created a system of checks and balances to hold our government accountable and keep it limited. We need only take note of the intense focus on the confirmation hearings for just one U.S. Supreme Court nominee to appreciate that the U.N. has no comparable accountability mechanism.

The Oil for Food Scandal is a perfect example why we need a limited U.N. Without democratic systems of accountability in place, Oil for Food, a program designed to provide humanitarian relief to Iraqis suffering under Saddam Hussein's rule, was grotesquely transformed into a dictatorship support program. The U.N.'s failure strengthened Hussein's rule, undermined American safety and delayed Iraqi freedom -- a result completely at odds with what was intended.

Another example for a limited role for the U.N. is the recent adoption of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. The U.S. was right to not support this convention because it will not promote cultural diversity and is surely to be misused by governments to deny their citizens' human rights, fundamental freedoms, and inhibit free trade. Article 8, for example, authorizes states to take "all appropriate measures" to protect and preserve cultural expressions" that are "at risk of extinction, under serious threat, or otherwise in need of urgent safeguarding." This will legitimize policies in countries such as China, Iran, and Cuba, further limiting what their people can watch, read, and hear and preventing the opportunity for them to make independent choices about what they value.

This Convention is anti-democratic, and is aimed at using U.N. mechanisms to domestic industries at the expense of free trade. It also creates an "International Fund for Cultural Diversity" that would be financed in part by contributions taken from the general UNESCO budget—of which the United States pays 22 percent. Therefore, the U.S. is now forced to fund a program which it did not ratify.

The U.S. needs quite simply to find ways to limit the pretensions of global governance that animate a decision to create an International fund for "cultural diversity" within a U.N. institution.

Now the U.N. wants to expand into controlling the Internet. This would further inhibit the free flow of information and ideas around the world. The internet has achieved an unprecedented level of success as a "global zone of freedom" because it has not been under any one nation or organization's control. It should not be surprising that the most ardent supporters of the U.N. regulating the internet are countries such as China and Iran. The unregulated Internet is the greatest threat to their policies and regimes.

America has every interest in limiting, not expanding, the opportunities for such mischief by the U.N.

America also requires an honest U.N.

Because so much of the U.N. behavior and culture would be indefensible if described honestly, there is an overwhelming tendency to use platitudes and misleading terms to camouflage the indefensible.

Fortunately, our new U.N. Ambassador John Bolton is unafraid to speak directly and clearly about America's values and interests. He will only be confrontational to those who defend policies that cannot stand the light of day.

For example, four years and one month after 9/11, the U.N. General Assembly still has not reached agreement on something as basic to the war on terror as a comprehensive definition of terrorism. Many member states that support terrorism have tried to derail this process by insisting that actions by individuals or irregular organizations in the context of "wars of national liberation" and the ejection of "occupying forces" should not be considered terrorism.

This is unacceptable, as it would legitimize terrorist attacks anywhere, and specifically against coalition forces in Iraq and Afghanistan as well as against Israel. Uniformed national military forces are already bound by the laws of war; we must insist on a comprehensive definition of terror that applies to individuals and irregular forces.

Forcing an honest debate in the U.N. with those countries who would defend terror tactics will expose their corrupt and dishonest values.

#### **Congress Role In Ensuring Successful U.N. Reform**

Congress can play a decisive role in achieving U.N. reform. When the Congress of the United States, which has the power of the purse, the power of law, and the power of investigation, takes U.N. reform seriously and sticks to it year after year, it will surely have a significant impact. History has shown that when the U.S. Congress legislates on U.N. reform, reform occurs.

As I have recommended before, I believe that Congress should have a much more robust presence in New York, have a much more robust interaction with the U.N. Ambassador, and have a much more robust requirement of whoever is in charge at State, as someone you can hold accountable regarding what we have done over the past three months and what is planned for the next three months. Congress has every right within our constitutional framework to notify the State Department that you want consultations on a regular basis. You cannot actually issue effective instructions, but you can demand consultations and reports.

This is important because we need to elevate U.N. reform to be a continuing and ongoing part of congressional involvement, both at the authorization and appropriation committee levels and both in the House and Senate. We further need to get more members engaged so that there is a sophisticated understanding of what has to get done, how we are going to get it done, and what we ultimately hold the executive branch accountable for.

Additionally, organizing the democracies so that we can then be in a position to systematically reform the U.N. is a significant undertaking that is going to take real time.

Having members of Congress talk with their counterparts in other countries, getting British parliamentarians, the French parliamentarians, the Germans, the Japanese, to agree that these are values we should be insisting on will be an enormous asset to the United States.

This Congress must play a key role in ensuring a successful reform of the U.N. One proposal for the Congress to move forward on U.N. reform is to pass legislation that requires an annual review by the Executive Branch that evaluates the progress of U.N. reform against a set of performance metrics. Since the task force report sets forth a number of reform recommendations, I attached as an appendix to my testimony before the Senate Foreign Relations Committee an example of what such a U.N. reform scorecard with a set of proposed performance measures might look like with respect to the task force's reform recommendations.

That list was intended to illustrate the types of performance measures the Congress could adopt; it was by no means intended to be an exhaustive list. There are surely several more inventive measures that this Congress could design.

Guided by such a set of performance measures, the Congress could hold hearings every June or July to review the U.N. reform progress report prepared by the Executive Branch that identified the progress to date. That report could then become the basis for an annual discussion on U.N. Reform at each summer's meeting of the G8, and then later at each September's meeting of the U.N. General Assembly. Following the annual hearings on U.N. reform, the Congress could adopt amendments to the score card legislation based on progress so that standards for the following year could be set forth. In this manner, Congress could develop a continuous practice of monitoring U.N. reform.

In that spirit, I have attached to this statement as **Appendix 1** a revised scorecard, which includes some additional recommendations and performance measures beyond that contained in the Task Force Report, and have noted by each recommendation what action or non-action was taken with respect to that recommendation by the U.N. General Assembly World Summit on U.N. reform.

I think the United States should enter into this process of reform for as many days as it takes, with the notion that the most powerful country in the world is going to get up every morning and is going to negotiate at the U.N., organize the democracies both inside and outside of the U.N., tell the truth, and keep the pressure up until we break through and get the kind of U.N. the people of the world deserve.

I am hopeful and confident that if the Congress moves forward in this spirit and with the level of commitment that will be required to achieve reforms, the United States can once again lead the way in designing a U.N. that will be an effective instrument in building a safer, healthier, more prosperous, and freer world.

This summer I testified that I was hopeful that the U.N. would adopt and undertake all of the necessary reform measures that would satisfy the United States and our democratic allies without the need to resort to any type of limitation on the appropriation of U.S. taxpayer funds to U.N. activities. I also testified that while I hoped it would not be necessary to use any such limitations in the U.S. relationship with the U.N., I thought that it was inevitable that limitations would be enforced by the Congress if the necessary reforms of the U.N. were not implemented in a timely way.

Since that testimony, the U.N. General Assembly had an opportunity to take timely action and it failed to act. In consequence, I believe the Congress should immediately initiate a phased withholding strategy together with other reform minded U.N. member states.

The first step is to establish the principle that all U.N. dues are voluntary.

The second step is to withhold our proportional share of the funding of the U.N. Human Rights Commission and reallocate that amount to a new body that the U.S. designates to serve the purpose of defending human rights if a new Human Rights Council composed of democracies is not established by the end of this year.

The third step is for the United States to initiate a diplomatic campaign to assemble a coalition of the willing that will agree to a more comprehensive strategy of phased withholding of U.N. voluntary dues in order to encourage fundamental U.N. reform -- milestone by milestone.

The first milestone is the creation by year end of a U.N. Chief Operating Officer and an Independent Advisory Board.

**If Not Now, When? If Not the United States, Who?**

In closing, it warrants recounting what preceded the convening of the 2005 U.N. General Assembly World Summit that was dedicated to U.N. reform:

- (i) The High-level Panel on Threats, Challenges and Change, appointed by the U.N. Secretary-General;
- (ii) The Secretary General's report *In Larger Freedom*;
- (iii) The U.S. Congress mandated Report of the Task Force on the United Nation and its extensive consensus recommendations for U.N. reform;
- (iv) Four reports of the Independent Inquiry Committee; and
- (v) Several reports of the U.S. Senate Permanent Subcommittee on Investigations.

These reports outlined the enormous gravity of the challenges facing the U.N., including protecting people from genocide and weapons of mass destruction, the threat of terrorism, the sexual predation of U.N. peacekeepers, and a U.N. culture of inaction along with manifest management deficiencies that led to massive corruption in the Oil-for-Food program.

If the United Nations General Assembly was not prepared last month to pass real reforms in light of all of the problems that were so abundantly outlined in these reports, when would it possibly? It is hard to come to any other conclusion than that the U.N. General Assembly is incapable of passing real reform.

In the wake of the failure of the 2005 World Summit, the responsibility of the United States is to be direct, candid, and honest. If we are not prepared to stand up for real reform, what nation will? While the State Department has its responsibility to pursue vigorously a U.N. reform agenda, in the end it is the Congress of the United States that has the ultimate responsibility for how wisely the U.S. taxpayer's money is spent. It is the Congress that has the obligation to supervise the operation of the United Nations on behalf of the American people.

###



**APPENDIX 1****AN EXAMPLE OF A U.N. REFORM SCORECARD  
(With results of the 2005 U.N. World Summit)****Newt Gingrich  
October 31, 2005**

Implementing policy effectively is ultimately as important as making the right policy. The American people have every right to expect results from our efforts to reform the U.N., not excuses.

One proposal by which the Congress can meet the rightful expectations of the American people is to pass legislation that requires an annual review by the Executive Branch that evaluates the progress of U.N. reform against a set of performance measures. Guided by such a set of performance measures, the Congress could hold hearings every June or July to review the U.N. reform progress report prepared by the Executive Branch that identified the progress to date. That report could then become the basis for an annual discussion on U.N. Reform at each summer's meeting of the G8, and then later at each September's meeting of the U.N. General Assembly. Following the annual hearings on U.N. reform, the Congress could adopt amendments to the score card legislation based on progress so that standards for the following year could be set forth. In this manner, Congress could develop a continuous practice of monitoring U.N. reform.

Unless the Congress and the Executive Branch plan back from the desired future, it will be impossible to distinguish between activity and progress toward U.N. reform.

While the task force report sets forth a number of reform recommendations, it does not provide a set of performance measures. Defining the right set of performance measures that will be evaluated annually in a public report will be critical to directing the energies of the Congress and the Executive Branch to achieve U.N. reform.

Listed below by number are the task force recommendations, followed by a proposed set of performance measures listed by letter in italics. The list of performance measures is intended to illustrate some types of performance measures the Congress could adopt; it is by no means intended to be an exhaustive list. There are surely several more inventive measures that this Congress could design for the task force recommendations, in addition to performance measures for other reform requirements that the Congress may adopt. I have added some additional, non-task force recommendations and performance measures.

Lastly, this example of a scorecard notes under each recommendation what action or non-action was taken with respect to that recommendation by the U.N. General Assembly World Summit on U.N. reform held in September.

**Bold and listed by Number – Task Force Recommendations**  
*Italics and listed by letter – Proposed Performance Measures*  
**Bold and Underscored – 2005 World Summit Action**

Appendix-1-

**APPENDIX 1****Task Force Recommendations and Proposed Performance Measures*****Saving Lives, Safeguarding Human Rights, Ending Genocide*****I. Darfur, Sudan**

- 1. Assemble a U.S. coordinated package of assistance for the African Union (AU) deployment in Darfur.**
  - a. Has an assistance package been defined by the Executive Branch?*
  - b. Has the U.S. share of the assistance package been appropriated and authorized by the Congress?*
  - c. Have U.S. NATO allies committed to making proportional contributions to such an assistance package?*
  - d. Have U.N. Security Council members committed to making proportional contributions to such an assistance package?*
  - e. Is the total funding amount adequate to meet the need and the objectives set forth by the Executive Branch?*
  - f. Are administrative costs exceeding 15% of the appropriated funding?*

**2005 World Summit Outcome Action:** Not Applicable.

- 2. The U.S. government should make clear that the responsibility for the genocide in Darfur rests with the government in Khartoum.**
  - a. Has a demarche been issued by the State Department?*
  - b. Has this message been given by the U.S. Mission to the U.N., either via the General Assembly or the Security Council?*
  - c. Has the Executive Branch made this clear in public pronouncements?*

**2005 World Summit Outcome Action:** Not Applicable.

- 3. The United States should welcome the role of the African Union in Darfur and assist in its development as an effective regional organization that can play a growing role in dealing with crises on the African continent.**
  - a. Has the Department of State made this clear in public pronouncements?*
  - b. Is the Department of Defense providing training and assistance to the African Union?*

**2005 World Summit Outcome Action:** Not Applicable.

- 4. The United States should make every effort to enhance AU capabilities in two main areas: (a) ensuring that it is adequate to the task of providing security in Darfur and protecting civilians, and (b) building on AU capabilities going forward**
  - a. Has funding for a Darfur assistance package been appropriated and authorized by the Congress?*
  - b. Has the Department of Defense established a permanent training and assistance program for the African Union?*
  - c. Is there a periodic performance review to ensure training and assistance is enhancing long-term African Union capabilities?*

**APPENDIX 1**

**2005 World Summit Outcome Action:** Not Applicable.

5. **At the U.N. Security Council, the United States should pursue a mandate for the AU-led force that provides for the protection of civilians and authorizes the deployment of a sufficiently large military force to achieve that end.**

- a. *Has the U.S. introduced such a mandate in the Security Council?*
- b. *Has the U.S. demanded a Security Council vote for this mandate?*
- c. *Has the Security Council approved the mandate?*

**2005 World Summit Outcome Action:** Not Applicable.

6. **The United States should assist in establishment of a “no-fly” zone over Darfur.**

- a. *Has the Executive Branch adopted a no-fly zone policy?*
- b. *Is the U.S. Air Force participating in the enforcement of a no-fly zone?*
- c. *Are U.S. NATO allies participating in the enforcement of a no-fly zone?*
- d. *Has the Sudanese air force been destroyed?*
- e. *Have portions of the Sudanese air force, namely helicopters, been destroyed?*

**2005 World Summit Outcome Action:** Not Applicable.

7. **The United States should assist in increasing the number of troops in the AU mission.**

- a. *Has the Congress authorized funding to assist AU countries in providing a larger number of troops?*
- b. *Have the number of troops in the AU mission increased in the last year?*

**2005 World Summit Outcome Action:** Not Applicable.

8. **The U.S. government should embrace the short-term strategic goal in Darfur of ending the ability of the militias to control the countryside so that security is adequate for civilians to return from refugee and IDP (internally displaced persons) camps to their villages and resume everyday life.**

- a. *How many civilians have returned home from refugee and IDP camps?*

**2005 World Summit Outcome Action:** Not Applicable.

9. **Perpetrators must be held accountable for war crimes and crimes against humanity.**

- a. *How many individuals have been prosecuted for war crimes and/or crimes against humanity out of the total number of individuals who have been indicted for war crimes and/or crimes against humanity?*
- b. *What is the conviction rate?*
- c. *What is the number of ongoing investigations of war crimes and crimes against humanity?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

**APPENDIX 1**

- 10. Press neighboring governments to cooperate with efforts to stop the killing in Darfur and not to interfere with international efforts under threat of sanction.**  
*a. Has the Department of State made this clear in public pronouncements?*

**2005 World Summit Outcome Action:** Not Applicable.

- 11. Encourage the pursuit of a general peace agreement in Western Sudan/Darfur.**  
*a. Has the Department of State made this a priority, as evidenced by the amount of diplomatic activity to achieve this end and the frequency of public pronouncements on this subject by the State Department?*

**2005 World Summit Outcome Action:** Not Applicable.

- 12. Support and encourage democratic reform in Sudan**

**2005 World Summit Outcome Action:** No action taken by the U.N.

## **II. Human Rights**

- 1. The United Nations and member-states should agree that the most pressing human rights task today is the monitoring, promotion and enforcement of human rights and, in particular, the stopping of genocide and mass killing.**  
*a. Has the U.N. Security Council adopted a resolution to this effect?*

**2005 World Summit Outcome Action:** The summit directed that these responsibilities fall upon individual states, saying that the U.N. "should, as appropriate, encourage and help States to exercise this responsibility."

- 2. The U.N. Human Rights Commission should be abolished.**  
*a. Has the U.N. undertaken all that is required to abolish the U.N. Human Rights Commission?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

- 3. A Human Rights Council ideally composed of democracies and dedicated to monitoring, promoting, and enforcing human rights should be created. The council should coordinate its work with the Democracy Caucus and the U.N. Democracy Fund.**  
*a. Has a Human Rights Council been created?*  
*b. Is there democratic pre-condition for membership?*  
*c. Since it is critically important that the voting mechanism that is established for election to the Council will indeed result in the election of a Council committed to the protection of human rights worldwide, are there safeguards to prevent a country that violates human rights from becoming a member of the Human Rights Council?*

**2005 World Summit Outcome Action:** The summit directed that a U.N. Human Rights Council be created, however, it gave no directions on how it should be done,

**APPENDIX 1**

its composition, or its authority.

4. **The U.S. Permanent Mission to the United Nations should include an official of ambassador rank whose responsibility will be to promote the efficacy of the Democracy Caucus within the United Nations and to promote the extension of democratic rights more broadly among member-states.**

- a. *Has the U.S. established this position with this portfolio?*

**2005 World Summit Outcome Action:** Not Applicable.

5. **The U.S. Government should support authority for the High Commissioner for Human Rights to appoint an advisory council to exchange information, develop best practices, promote human rights, and publicize offenses.**

- a. *Has the Security Council adopted a resolution to provide this authority?*

**2005 World Summit Outcome Action:** Not Applicable.

6. **The U.S. Government should support the work of national and regional courts, as well as tribunals authorized by the Security Council, as well as truth and reconciliation commissions, in identifying those responsible for mass atrocities and prosecuting, and punishing them as appropriate.**

- a. *Has the Executive Branch provided the necessary policy guidance to make this a priority?*

**2005 World Summit Outcome Action:** Not Applicable.

### **III. Responsibility to Protect Your Own Citizens**

1. **The U.S. government should affirm that every sovereign government has a “responsibility to protect” its citizens and those within its jurisdiction from genocide, mass killing, and massive and sustained human rights violations.**

- a. *Has the Department of State articulated this policy in public pronouncements?*
  - b. *Has the U.S. Mission to the U.N. communicated this formally in the General Assembly and the Security Council?*

**2005 World Summit Outcome Action:** Not Applicable.

2. **The United States should endorse and call on the U.N. Security Council and General Assembly to affirm a responsibility of every sovereign government to protect its own citizens and those within its borders from genocide, mass killing, and massive and sustained human rights violations.**

- a. *Has the U.S. Congress passed a resolution supporting this?*
  - b. *Has the Executive Branch affirmed this responsibility in its public pronouncements?*
  - c. *Has the U.S. Mission to the U.N. communicated this formally in the General Assembly and the Security Council?*
  - d. *Has the Security Council approved such a resolution?*
  - e. *Has the General Assembly approved such a resolution?*

**2005 World Summit Outcome Action:** The summit made such a call.

**APPENDIX 1**

3. **Future presidents should affirm the “Not on my watch” pledge, articulated by President Bush in a notation on a document describing the horror of the Rwanda genocide.**
- a. Has the U.S. President affirmed the pledge publicly or in policy documents such as National Security Strategy or Presidential Decision Papers?*

**2005 World Summit Outcome Action:** Not Applicable.

4. **The urgent task required of all United Nation member-states, which the United States should lead, is to determine available capabilities and coordinate them so they can be brought rapidly to the fore in a crisis.**
- a. Has the Executive Branch assigned this responsibility?*  
*b. Has the Executive Branch department responsible for this coordination prepared the document that defines and articulates available capabilities to support a crisis?*

**2005 World Summit Outcome Action:** Not Applicable.

5. **The United States should be prepared to lead the Security Council in finding the most effective action across the full range of legal, economic, political, and military tools.**

**2005 World Summit Outcome Action:** Not Applicable.

6. **The United States should take the lead in assisting the United Nations and other institutions in identifying potential assets and creating or improving mechanisms for coordination.**

**2005 World Summit Outcome Action:** Not Applicable.

7. **The United States must insist that in cases in which the Security Council is unable to take effective action in response to massive human rights abuses and/or genocide, regional organizations and member-states may act where their action is demonstrably for humanitarian purposes.**

**2005 World Summit Outcome Action:** Not Applicable.

8. **Support inclusion of language in all Chapter VII Security Council resolutions calling on member-states, regional organizations, and any other parties to voluntarily assess the relevant capabilities they can contribute to enforcement of the resolutions.**
- a. Do Chapter VII Security Council resolutions contain this language?*

**2005 World Summit Outcome Action:** Not Applicable.

**APPENDIX 1**

9. Undertake a review of assistance programs to assess what bilateral action the United States can take that will enhance the capabilities of regional and other international organizations to prevent or halt genocide, mass killings, and massive and sustained human rights violations.
- a. *Has the Executive Branch undertaken such a review and issued a public report on its findings?*

**2005 World Summit Outcome Action:** Not Applicable.

10. The U.S. government should reiterate that punishing offenders is no substitute for timely intervention to prevent their crimes and protect their potential victims.
- a. *Has the Department of State made this clear in public pronouncements?*
- b. *Has this been formally communicated in the U.N. in the General Assembly and/or the Security Council by the U.S. Mission to the U.N.?*

**2005 World Summit Outcome Action:** Not Applicable.

#### IV. Rapid Reaction Capability

1. The United Nations must create a rapid reaction capability among U.N. member states that can identify and act on threats before they fully develop. The Task Force, however, opposes the establishment of a standing U.N. military force.
- a. *Has a plan for a rapid reaction capability been developed?*
- b. *Has the plan been implemented?*
- c. *Are member states providing promised material support, i.e. troops, strategic airlift, etc., to make a rapid reaction capability viable?*

**2005 World Summit Outcome Action:** The summit established a standing police force, and endorsed the creation of rapid reaction forces by member states and regional organizations, like the EU.

2. The United States should support the principle that those nations closest to a crisis have a special regional responsibility to do what they can to ameliorate the crisis.
- a. *Has the State Department made this clear in public pronouncements?*
- b. *Has this been formally communicated in the General Assembly and/or the Security Council?*

**2005 World Summit Outcome Action:** Not Applicable.

3. The United States should also provide assistance aimed at the development of regional capacity in advance of a crisis.
- a. *Is the Department of Defense expanding the advice and training missions to likely crises regions?*

**2005 World Summit Outcome Action:** Not Applicable.

**APPENDIX 1****4. Support discretionary authority of the High Commissioner for Human Rights (HCHR) and the Special Advisor for the Prevention of Genocide (SAPG) to report directly to the Security Council.**

- a. *Has the U.S. Mission to the U.N. formally communicated this support in the General Assembly and/or Security Council?*
- b. *Has a U.N. resolution or rule been adopted to provide this authority?*

**2005 World Summit Outcome Action:** The summit proposed doubling the budget of the HCHR's office, it also stated that it "fully support" the SAPG.

**5. Ensure that the office of the HCHR and SAPG have adequate resources to rapidly investigate at the first indication of trouble.**

- a. *Has a U.S. government official been assigned this responsibility?*
- b. *Are annual increases to their funding levels adequate?*

**2005 World Summit Outcome Action:** No action taken, other than proposing increased funding for HCHR.

**6. Support linkage of early information on potential genocide, mass killing, and massive and sustained human rights violations situations to early preventive action.**

- a. *Have appropriate "tripwires" been defined?*
- b. *Have the "tripwires" been approved by the Security Council?*

**2005 World Summit Outcome Action:** The summit supported establishing an early warning system, but only approved action if taken through the Security Council.

***In Need of Repair: Reforming the United Nations*****I. General Recommendations**

1. The United Nations, most importantly, needs to create an Independent Oversight Board (IOB) that would function in a manner similar to a corporate independent audit committee. The IOB would receive Office of Internal Oversight (OIOS) reports and, in consultation with the Board of Auditors and Secretariat management, would have the authority to fix the budget and approve and direct the assignments of the OIOS and of the Board of External Auditors just as an independent audit committee in the United States has such authority with respect to both the internal and external auditor. The OIOS budget must be set by an Independent Oversight Board and submitted to the General Assembly budget committee in a separate track outside the regular budget.

- a. *Has the U.N. created an IOB?*

**2005 World Summit Outcome Action:** Recommended a similar board, but no clear definitions or powers.



**APPENDIX 1**

2. The United Nations must provide both the resources and the authority to OIOS to provide appropriate oversight to every activity that is managed by U.N. personnel whether or not that activity is funded by the assessments of the General Assembly or by voluntary contributions.

- a. *Is there adequate funding for OIOS?*
- b. *Are annual funding raises adequate?*
- c. *Does the OIOS have the authority to investigate as necessary?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

3. Oversight reports must be accessible to member-states under guidelines that facilitate transparency and meet, at a minimum, the freedom of information flow between U.S. investigative agencies and the Congress.

**2005 World Summit Outcome Action:** No action taken by the U.N.

4. The U.N. Secretariat needs to have a single, very senior official in charge of daily operations and filling the role of chief operating officer (COO).

- a. *Has a position been created or assigned this authority and responsibility?*
- b. *Has a qualified individual been hired for this position?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

5. The United States should insist on management capability as a fundamental criterion for the selection of the next U.N. secretary-general.

- a. *Has this been formally communicated by the U.S. Mission to the U.N. in the General Assembly or the Security Council?*

**2005 World Summit Outcome Action:** Not Applicable.

6. The United Nations needs to develop a far more robust policy for whistleblower protection and information disclosure.

- a. *Do U.N. standards meet U.S. standards?*

**2005 World Summit Outcome Action:** The U.N. has proposed and implemented whistleblower policies similar to the best practices found in the US.

## **II. Budget and Programming**

1. The "5.6 Rule," which requires the Secretariat to identify low-priority activities in the budget proposal, should be enforced and bolstered by an additional requirement that managers identify the lowest priority activities equivalent to 15 percent of their budget request or face an across-the-board reduction of that amount. The identification of 15 percent of the budget as low priority should not necessarily be interpreted as a list for elimination, but as information on what programs could be reduced in favor of higher priority mandates.

- a. *Is the "5.6 Rule" being followed?*
- b. *Is the list of low-priority budget items available to member nations?*

**Bold and listed by Number– Task Force Recommendations**  
*Italics and listed by letter – Proposed Performance Measures*  
**Bold and Underscored – 2005 World Summit Action**

Appendix-9-

**APPENDIX 1**

*c. Has the 15% requirement and consequence been formally adopted?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

- 2. The Secretariat's leadership must demand that managers define and attempt to achieve specific outcomes. Future budgets should be tied to whether those results are achieved. The OIOS should be tasked with a larger monitoring/evaluation role to evaluate the degree to which programs are achieving their targeted results.**
- a. Are managers required to provide annual goals?*
  - b. Are these goals measurable and related to effectiveness of the program?*
  - c. Are managers required to provide periodic updates on the status of achieving those goals?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

- 3. The United States should support the secretary-general's plan, described in his March 21 report, to establish a Management Performance Board "to ensure that senior officials are held accountable for their actions and the results their units achieve."**
- a. Has this been formally communicated by the U.S. Mission to the U.N. in the General Assembly or the Security Council?*
  - b. Has it been implemented?*

**2005 World Summit Outcome Action:** Not Applicable.

- 4. The United States should insist upon both of the secretary-general's sunset proposals: the 1997 proposal to include sunset clauses for all major new mandates, and the proposal in the March 21 report this year to review all mandates dating back five years or more. Every mandate and program should have a sunset clause to ensure that it is regularly evaluated and continues to perform a necessary function. The sunset clauses should assume that programs will be shut down unless the General Assembly's budget committee confirms by consensus that they should continue based on a publicly available analysis identifying the program's purpose, budget, and ongoing relevance.**
- a. Has this been formally communicated by the U.S. Mission to the U.N. in the General Assembly or the Security Council?*
  - b. What percentage of mandates over five years old have not been reviewed?*
  - c. What percentage of new mandates does not include a sunset clause?*
  - d. What percentage of total mandates include a sunset clause?*
  - e. How many programs have been ended?*

**2005 World Summit Outcome Action:** The summit indicated that the U.N. is planning to review programs over five years old, however, the summit document has no provisions for instituting a sunset clause in new resolutions.

**APPENDIX 1**

- 5. The United States should insist that the United Nations publish annually a list of all subsidiary bodies and their functions, budgets, and staff. Their budgets should be subject to the same sunset provisions that apply to other U.N. programs and activities. The United Nations should also publish budget information in a manner that lays out multi-year expenditures by program and identifies the source of funds as assessed or voluntary (including the source country) and includes in-kind contributions.**

- a. Has this been formally communicated by the U.S. Mission to the U.N. in the General Assembly or the Security Council?*
- b. Is an annual list of subsidiary bodies, functions, budgets, and staffs available?*
- c. What percentage of them is subject to a five year review?*
- d. Is multi-year budget information available?*
- e. Are in-kind and voluntary contributions reported and identified by source in multi-year budgets?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

- 6. The U.S. Office of Management and Budget (OMB) should annually report to Congress on all U.S. contributions, both assessed and voluntary, to the United Nations.**

- a. Is the report conducted and available in the public domain?*

**2005 World Summit Outcome Action:** Not Applicable.

- 7. The United States should work with a representative group of member-states to explore ways of giving larger contributors a greater say in votes on budgetary matters without disenfranchising smaller contributors. The consensus-based budget process has proved effective at reining in increases in the U.N. budget but not at setting priorities or cutting many obsolete items.**

- a. Have meetings discussing this occurred in the last year?*
- b. What changes have been enacted?*
- c. Do the major donors have weighted voting?*

**2005 World Summit Outcome Action:** Not Applicable.

- 8. The Department of Peacekeeping Operations (DPKO) should become a more independent program with distinct rules and regulations appropriate for its operational responsibility for comprehensive peacekeeping missions. Its responsibilities must include coordination with broader reconstruction and development activities of the United Nations.**

- a. Is coordination between the DPKO and broader reconstruction and development activities of the United Nations actually occurring?*
- b. What changes have been adopted?*
- c. Is DPKO more independent?*
- d. Has it adopted stronger codes of ethics and conduct?*

*2005 World Summit Outcome Action: They want to establish the "Peacebuilding Commission" but it was not stated if it would coordinate with the DPKO.*

**APPENDIX 1****III. Personnel**

1. **The United States should insist on the secretary-general's call in his March 21 report for a one-time severance program to remove unwanted, or unneeded, staff, and should monitor that program closely to ensure it is designed to remove the staff who ought to be removed.**
  - a. *Has this been formally communicated by the U.S. Mission to the U.N. in the General Assembly or the Security Council?*
  - b. *What percentage of staff is being given severance?*
  - c. *Has the severance been conducted through the existing budget?*

**2005 World Summit Outcome Action:** This was called for in the document.

2. **The United Nations should not offer permanent contracts to any new employees. The identification of redundant staff, along with other relevant recommendations in this report, should apply fully to the U.N.'s nearly 5,000 contractors and consultants.**
  - a. *What percentage of contracts is permanent?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

3. **The U.N.'s hiring practice must reflect the emphasis on competence laid out in the Charter, with geographical considerations taken into account only after the competence test is met.**
  - a. *What percentage of personnel has been hired based on a competency test?*
  - b. *Has there actually been a change in geographical representation?*

**2005 World Summit Outcome Action:** Report insists upon "due regard" being given to geographical distribution, and for some positions calls for gender balance in hiring.

4. **The United States should insist that the United Nations install a more empowered and disciplined Human Resources Department that employs all the techniques of modern personnel policies.**
  - a. *Has such a system been adopted?*

*2005 World Summit Outcome Action: The report requested the secretary general for recommendations for change in Human Resources.*

5. **The United States should support granting U.N. managers the authority to assign employees where they can be best used and amending job placement policies to permit promotional opportunities.**
  - a. *Has the General Assembly granted the Secretary General this authority?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

**APPENDIX 1**

- 6. The United Nations should more systematically take advantage of secondments of personnel from member-states on a pro bono basis for specified periods or tasks.**

- a. In the last year, how many personnel were on a pro bono basis for specified periods or tasks?*
- b. Is this number increasing, decreasing, or holding constant?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

- 7. The General Assembly must fully implement its new requirement that candidates for positions on the U.N. Administrative Tribunal must possess appropriate qualifications before being approved.**

- a. What percentage of personnel on the U.N. Administrative Tribunal has appropriate qualifications?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

- 8. In criminal cases involving U.N. personnel, immunity should be waived unless the Legal Adviser to the secretary-general determines that justice is unlikely to be served in the country at issue. The Legal Adviser's report should be made available to the proposed Independent Oversight Board to ensure accountability to an independent body. Efforts must be made to find an appropriate jurisdiction elsewhere.**

- a. What percentage of criminal cases involving the U.N. is immunity not waived?*
- b. For each of the above cases, is the Legal Advisor's report available to the Independent Oversight Board or member states if IOB is not yet in place?*
- c. What was the number of cases where another jurisdiction was used?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

- 9. Legal fees for accused staff should only be reimbursed if the accused staff is cleared by appropriate legal processes.**

- a. What number of accused staff had legal fees reimbursed?*
- b. How many of those were found guilty?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

- 10. A new standard of personnel ethics must be developed and advertised within the United Nations. Disclosure forms must be mandatory at the P-5 level and above. Failure to disclose must be sanctioned, and sanctions clearly laid out. An Office of Personnel Ethics should be established within the Secretariat but accountable to the IOB to serve as a repository for disclosure documents. These documents must be made available to member-states upon request.**

- a. Has the Office of Personnel Ethics been established?*
- b. Are disclosure documents mandatory, verifiable, and available on request to member states?*

**2005 World Summit Outcome Action:** The summit asked the secretary general to

**APPENDIX 1**

propose an independent ethics office, and develop a system wide code of ethics for U.N. personnel.

- 11. The United Nations must meet the highest standards of information disclosure. The United States should carefully monitor the Secretariat's current efforts to develop a comprehensive information disclosure policy.**

*a. Do the U.N. information disclosure rules meet U.S. standards?*

**2005 World Summit Outcome Action:** Various references to increased transparency, but no overarching plan or goal.

- 12. If the United Nations is again called upon to administer a large scale sanctions regime, it should set up an effective and separate management structure, with serious audit capacity, to do so.**

**2005 World Summit Outcome Action:** The summit calls for keeping all sanctions oversight under the Security Council.

- 13. The United States should work with other member-states to identify which of the operational programs now receiving funds from the assessed budget should be funded entirely by voluntary contributions.**

*a. Has an entity been identified to conduct this study?*

*b. How many programs have been shifted to voluntary funding?*

**2005 World Summit Outcome Action:** Not Applicable.

- 14. The General Assembly's committee structure should be revised to increase its effectiveness and to reflect the substantive priorities of the United Nations, as identified in other parts of the Task Force report. Bearing in mind the recommendations of this report, the United States should review the mandates and performance of the committees with a view to identifying areas of duplication between the committees and other bodies, programs and mandates in the U.N. system.**

*a. Has an entity been identified to conduct this study?*

*b. Is the number of committees smaller or larger?*

*c. How many committees have been eliminated?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

***Deterring Death and Destruction: Catastrophic Terrorism and Proliferation of Nuclear, Chemical, and Biological Weapons***

**I. U.N. Security Council**

- 1. P-5 members should consult regularly on proliferation and terrorism issues. Frequent substantive contacts will not guarantee unanimity, but they could promote greater convergence in perceptions of the threat and facilitate more constructive engagement when difficult issues are brought before the Council.**

*a. Are P-5 members regularly meeting?*

**Bold and listed by Number – Task Force Recommendations**  
*Italics and listed by letter – Proposed Performance Measures*  
**Bold and Underscored – 2005 World Summit Action**

Appendix-14-

**APPENDIX 1**

**2005 World Summit Outcome Action:** Not Applicable.

2. **The Council as a whole should also meet regularly on proliferation and terrorism issues. It should receive closed-door briefings three or four times a year by the Directors General of the IAEA and OPCW, the chairs of the CTC and 1540 Committee, and other senior officials from relevant U.N. organizations.**
  - a. *Is the Council meeting on proliferation and terrorism issues?*
  - b. *Is the Council receiving quarterly briefings from IAEA and OPCW, the chairs of the CTC and 1540 Committee, and other relevant U.N. organizations?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

3. **The United States and other Security Council members should urge the 1540 Committee to move aggressively in encouraging U.N. members to put in place the laws and control measures required by U.N. Security Council Resolution 1540.**
  - a. *Has the U.S. Mission made this clear to the 1540 Committee and in public pronouncements?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

4. **The United States should press within the Council for improving the effectiveness of the U.N.SCR 1373's Counterterrorism Committee.**
  - a. *Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council?*

**2005 World Summit Outcome Action:** Not Applicable.

5. **The United States should promote the "naming of names" that is, the United States should push the Security Council to have the 1373 Committee publicly list state sponsors of terrorism.**
  - a. *Has this been formally communicated by the U.S. Mission in the Security Council?*
  - b. *Has the 1373 Committee publicly listed state sponsors of terrorism?*

**2005 World Summit Outcome Action:** Not Applicable.

6. **The United States should take the lead in the Council to rationalize the work of the three Security Council committees responsible for terrorism and proliferation under three separate resolutions (1267, 1373, and 1540).**
  - a. *Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council?*
  - b. *Has the Security Council rationalized the work of these committees to the satisfaction of the State Department?*
  - c. *Are there still overlaps and areas of missed responsibility for these committees?*

**2005 World Summit Outcome Action:** Not Applicable.

**Bold and listed by Number – Task Force Recommendations**  
*Italics and listed by letter – Proposed Performance Measures*  
**Bold and Underscored – 2005 World Summit Action**

Appendix-15-

**APPENDIX 1**

7. The United States should also take the lead in the Council on steps to strengthen international verification such as it is in the nonproliferation fields. If the IAEA or OPCW Technical Secretariat, respectively, is unable with existing authorities to resolve whether a particular country is in compliance, the Council will meet immediately with a view to providing authorization, under Chapter VII, to utilize much more extensive, supplementary verification methods (e.g., comparable to those authorized for use in Iraq by U.N. Security Council Resolution 1441).

**2005 World Summit Outcome Action:** Not Applicable.

8. The Council should also strengthen the U.N. secretary-general's existing authority to initiate field investigations of alleged violations of the Geneva Protocol or the Biological Weapons Convention by making it mandatory for states to grant prompt access and provide full cooperation.

**2005 World Summit Outcome Action:** No action taken by the U.N.

9. To carry out the more robust supplementary verification activities in the nuclear and chemical fields that may be authorized by the Security Council, the IAEA and OPCW should be prepared to make available on short notice inspectors who are specially trained in more rigorous verification methods. In the biological weapons area, where no comparable verification organization exists, the Council should establish and train a roster of specialists who would be available immediately in the event that the Council or secretary-general (under his authority to initiate CW or BW investigations) activated them.

*a. Has a roster of biological specialists been established?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

10. The U.S. should support a Council instruction to U.N.MOVIC and the IAEA to document and archive information on the investigation of Iraqi WMD programs begun in 1991, with a mandate to complete the task within six months.

*a. Has such a Council instruction been issued?*

*b. Have member-states received legal advice on the Convention for the Suppression of Acts of Nuclear Terrorism?*

**2005 World Summit Outcome Action:** Not Applicable.

11. On the critical subject of the nuclear fuel cycle and the Nuclear Non-Proliferation Treaty, the United States should continue to promote the Bush administration's initiative to prevent the acquisition of uranium enrichment and plutonium reprocessing facilities by additional countries.

*a. Has this been vigorously promoted by the Department of State?*

**2005 World Summit Outcome Action:** Not Applicable.



**APPENDIX 1**

- 12. The United States should encourage the Council to strengthen legal authorities to interdict illicit WMD-related shipments and disrupt illicit WMD-related networks.**

*a. Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council?*

**2005 World Summit Outcome Action:** Not Applicable.

- 13. The United States should urge Council action to discourage and impede unjustified use of the NPT's withdrawal provision, which allows a party to leave the treaty after 90 days if it asserts that remaining in the treaty would jeopardize its supreme interests.**

**Note:** *This may be applicable only when a nation attempts to withdraw from the NPT.*

*a. Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council?*

*b. Has the Security Council taken action to discourage this behavior?*

**2005 World Summit Outcome Action:** Not Applicable.

- 14. The Council should develop a menu of penalties that would be available for future Council consideration in individual cases of violations.**

*a. Has the Security Council developed a menu of such penalties?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

## **II. U.N. General Assembly**

- 1. The General Assembly should move expeditiously to adopt a definition of terrorism along the lines recommended by the High-Level Panel and endorsed by the secretary-general. On the basis of that definition, the Assembly should proceed as soon as possible to conclude a comprehensive convention on terrorism. The definition of terrorism should cover the actions of individuals or irregular organizations, rather than armies since the latter are bound by the rules of war and need not be covered by additional language prohibiting terrorism. Although international consensus on the basis of the formulation contained in the High-Level Panel would be a major step forward, the definition of terrorism should ideally also cover acts of violence against noncombatant military units—for example, those deployed to a given country as part of a U.N.-authorized peacekeeping force or those present on foreign soil only to provide training or receive logistics support.**

*a. Has the General Assembly adopted a comprehensive definition of terrorism acceptable to the United States no later than the 2005 General Assembly?*

**2005 World Summit Outcome Action:** While condemning terrorism, the summit does not define it, however it does allow that creating a commission to consider the issue should be considered.

**APPENDIX 1**

2. The Terrorism Prevention Branch of the U.N. Office on Drugs and Crime (U.N.ODC) should be encouraged to intensify its efforts to promote wide adherence to the international conventions on terrorism, especially the new Convention for the Suppression of Acts of Nuclear Terrorism, and to provide member-states legal advice on domestic implementing legislation necessary to make those conventions effective.

a. *Have member-states received legal advice on the Convention for the Suppression of Acts of Nuclear Terrorism?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

### III. International Atomic Energy Agency

1. The United States should continue pressing for establishment of a committee of the IAEA Board to review the Agency's role in monitoring and promoting compliance with nuclear nonproliferation obligations.

a. *Has a committee of the IAEA Board actually been established?*  
b. *Have the results of the review been published?*

**2005 World Summit Outcome Action:** Not Applicable.

2. The IAEA and its Board should strongly promote universal ratification and rigorous enforcement of the Additional Protocol. Nuclear Suppliers Group members can assist in this effort by adopting a guideline that makes adherence to the Additional Protocol by recipient states a condition for nuclear cooperation.

a. *Has the IAEA and its board issued a statement on universal ratification and enforcement of the Additional Protocol?*  
b. *Has such a guideline been established by the Nuclear Suppliers Group?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

3. IAEA Board members should urge that the Agency's relatively new function of investigating nuclear trafficking networks be expanded.

a. *Has the IAEA Board issued a statement on expanding its role in investigating nuclear trafficking networks?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

4. The United States and other Board members must strongly encourage the IAEA to assign higher priority to nuclear security.

a. *Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council, the General Assembly, or directly to the IAEA?*  
b. *Have any other board members taken similar action?*

**2005 World Summit Outcome Action:** Not Applicable.

**APPENDIX 1**

5. The IAEA and its Board should examine means of assuring countries that renounce the right to possess their own enrichment and reprocessing capabilities that they will have reliable access to nuclear reactor fuel supplies.
  - a. *Has the IAEA undertaken such a study?*
  - b. *Has the IAEA communicated the results to member states?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

#### IV. Organization for the Prohibition of Chemical Weapons (OPCW)

1. The missions of OPCW and its Technical Secretariat should be adjusted to deal more heavily with the nonstate actor chemical weapons threat.
  - a. *Have the missions been so adjusted?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

2. OPCW should become a partner of the 1540 Committee to help it implement U.N. Security Council Resolution 1540's requirements in the chemical area as in the case of the IAEA for nuclear issues, including taking the lead in assisting in establishing international standards for legislation criminalizing CW-related activities by nonstate actors. It should assist the Committee in the area of physical protection, assessing the adequacy of security and accountancy measures at declared chemical weapons storage depots and developing international standards for protecting chemical industry plants against theft or sabotage. With respect to the reports countries are called upon to submit under 1540, the OPCW would assist in evaluating performance, suggesting improvements, and coordinating assistance efforts.
  - a. *Has the OPCW provided assistance in evaluating 1540 mandated reports?*
  - b. *Has the OPCW made suggestions and coordinated assistance to member states based on its evaluation of 1540 reports?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

3. The United States and other CWC parties should request OPCW's Technical Secretariat to examine the potential for state and nonstate actors to use new technologies, such as micro-reactors and novel chemical agents, for CW purposes and make recommendations on whether and how the CWC regime can be modified to keep up with the evolving CW proliferation threat.
  - a. *Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council, the General Assembly, directly to the OPCW, or directly to the OPCW's Technical Secretariat?*
  - b. *Have other CWC parties taken similar action?*
  - c. *Has the OPCW's Technical Secretariat undertaken such a study?*
  - d. *Has the OPCW's Technical Secretariat made recommendations based on the study?*
  - e. *Have those recommendations been acted on?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

**APPENDIX 1****V. World Health Organization (WHO)**

1. **While the WHO should strengthen its existing public health capabilities that are also relevant to reducing the biowarfare threat, consideration should urgently be given to establishing a new U.N. organization responsible for dealing with biological weapons issues.**
  - a. *Has a study on establishing a new U.N. organization for dealing with biological weapons been completed?*
  - b. *Has the WHO increased existing public health capabilities that are relevant to biowarfare?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

2. **WHO should undertake a major upgrading of its global disease surveillance and response network. The United States should be prepared to take the lead in persuading other donor governments to commit the additional resources required. Informal arrangements should be worked out so that, in the event of a suspicious disease outbreak that seemed to be the result of intentional BW use, WHO could immediately notify the new U.N. biological warfare organization and the U.N. secretary-general, who would be in a position to dispatch biowarfare experts to assist WHO in its investigation.**
  - a. *Has WHO upgraded its global disease surveillance and response network?*

*2005 World Summit Outcome Action: They committed to upgrading the infrastructure of individual nations, but not of the world as a whole, nor did they propose any plans to link it all together.*

3. **The new U.N. organization responsible for countering the biowarfare threat would work with the 1540 Committee and relevant international health organizations, including WHO, to develop common international biosecurity standards, both with respect to ensuring that only bona fide scientists have access to dangerous pathogens and ensuring that facilities engaged in legitimate research with dangerous pathogens have adequate physical security measures in place.**
  - a. *Have common international biosecurity standards been established?*
  - b. *Do only bona fide scientists have access to dangerous pathogens?*
  - c. *Do dangerous pathogens have adequate physical security measures?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

4. **The new biowarfare organization should also work with the WHO and other international scientific organizations to develop international guidelines or standards for reviewing, approving, and monitoring dual-use bioscientific research projects, particularly in the area of genetic engineering, that could produce results that could be applied by states or terrorist groups to offensive BW purposes.**
  - a. *Do international guidelines exist for reviewing, approving, and monitoring dual-use bioscientific research projects?*

**APPENDIX 1**

**2005 World Summit Outcome Action:** No action taken by the U.N.

**VI. Conference on Disarmament (CD)**

1. The CD has outlived its usefulness and should be disbanded. Instead of having a single multilateral negotiating body take its place, the Security Council should, as the need arises, set up ad hoc bodies of manageable size to take on discrete, narrowly defined tasks, such as negotiating a treaty banning further production of fissile materials or developing common international standards for biosecurity.

**2005 World Summit Outcome Action:** No action directly, however the CD would be examined along with all other mandates older than 5 years if that step is taken as proposed in the summit document.

**War and Peace: Preventing and Ending Conflicts**

**I. U.N. Peacekeeping: Doctrine, Planning, and Strategic Guidance**

1. The Department of Peacekeeping Operations should develop doctrine that recognizes the need for capable forces in the new security environments in which peacekeepers are mandated by the Security Council to operate, and the United States should press for member state acceptance of these new realities and their resource implications.
  - a. *Has the Department of Peacekeeping Operations developed the doctrine?*
  - b. *Has the Department of Defense provided advice in the development of this doctrine?*

**2005 World Summit Outcome Action:** They commended the EU for developing regional training, and expressed the desire to have the African Union troops improved over the next 10 years.

2. More broadly, the United Nations should develop doctrine and strategy for multidimensional peace operations that thoroughly integrate the security dimension with economic and political development requirements. Prior to deployments, a strategic assessment of the crisis situation should be made to determine the full range of measures necessary to effectively address the causes of the crisis. Strategic mission plans should precede deployments, and should be drafted by senior-level mission strategy groups brought together prior to missions.

**Note:** This may only be applicable as future peacekeeping operations evolve.

- a. *Has the U.N. developed a multi-dimensional strategy for peace operations?*
- b. *Does a strategic mission plan exist for each peacekeeping operation?*
- c. *Was this plan drafted by senior-level mission strategy groups prior to executing the peacekeeping mission?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

**II. Sexual Exploitation and Abuse**

**Bold and listed by Number– Task Force Recommendations**

*Italics and listed by letter – Proposed Performance Measures*

**Bold and Underscored – 2005 World Summit Action**

Appendix-21-

**APPENDIX 1**

1. **The United Nations must quickly implement a policy of zero tolerance of sexual exploitation and abuse by peacekeepers. The United States should strongly support implementation of reform measures designed to ensure uniform standards for all civilian and military participants in peace operations; training programs relating to sexual exploitation and abuse; increased deployment of women in peacekeeping operations; deployment of established (rather than "patched together") units to peacekeeping operations; accountability of senior managers; effective data collection and management; victim's assistance; staffing increases to enhance supervision; and organized recreational activities for peacekeepers.**

- a. *Is there a policy of zero tolerance of sexual exploitation?*
- b. *Are there training programs for U.N. civilians and military?*
- c. *Are established units deploying to support U.N. operations?*
- d. *Is there a victim's assistance program?*
- e. *Is data being collected?*
- f. *Are recreational activities being provided for peacekeepers?*

**2005 World Summit Outcome Action:** The summit condemned sexual abuse and called for a comprehensive plan of "victims' assistance" for those abused by U.N. staff. No plan to prevent such activities or punish the perpetrators was proposed or called for.

2. **While these measures have recently been endorsed by member-states, the United States should urge generous budgetary support for these initiatives, and should also press for independent investigative capacity.**
  - a. *Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council or General Assembly?*
  - b. *Is there an independent investigative capacity?*

**2005 World Summit Outcome Action:** Not Applicable.

3. **The United States should seek to ensure effective programs of assistance for victims who make substantial claims, even when neither the victim nor the United Nations is able to obtain redress from the perpetrator of the abuse.**
  - a. *Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council or General Assembly?*

**2005 World Summit Outcome Action:** Not Applicable.

4. **States that prove unwilling or unable to ensure discipline among their troops should not be permitted to provide troops to peacekeeping missions.**
  - a. *Has a U.N. resolution or rule change implementing this policy been adopted?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

**APPENDIX 1****III. Rapid Deployment**

1. While the Task Force does not endorse a standing U.N. military force, member states must increase substantially the availability of capable, designated forces, properly trained and equipped, for rapid deployment to peace operations on a voluntary basis. The Secretariat should enhance its capacity to coordinate increases in member state contributions to the Stand-by Arrangements system.

**2005 World Summit Outcome Action:** The summit commended the EU efforts to develop such forces, and also called on the U.N. to develop a police force.

2. The United States should sustain and strengthen its support for regional peacekeeping capacity building, such as the Global Peace Operations Initiative.

**2005 World Summit Outcome Action:** Not Applicable.

3. The Department of Defense should prepare policy options for U.S. support of capacity enhancements and for U.S. engagement in peace operations consistent with U.S. national interests.

- a. *Has the DOD prepared policy options to support capacity enhancements and for U.S. engagement in peace operations?*

**2005 World Summit Outcome Action:** Not Applicable.

**IV. The U.N. Role and Capacity in Conflict Mediation and Peacebuilding**

1. To enhance support for U.N. efforts at conflict mediation and negotiation, the United States should support an increase in resources for the Department of Political Affairs (DPA), following an independent study providing a strategy for enhancing DPA capacity and improving coordination with DPKO.

- a. *Has an independent study of the DPA and DPKO been conducted?*
  - b. *Have the results been provided to the member-states?*
  - c. *Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council or General Assembly?*

**2005 World Summit Outcome Action:** The summit proposed exactly this policy.

2. To enhance support for postconflict peacebuilding activities, the United States should support the creation of a Peacebuilding Commission, a Peacebuilding Support Office, and a voluntary peacebuilding support fund.

- a. *Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council or General Assembly?*
  - b. *Has a Peacebuilding Commission been created?*
  - c. *Has a Peacebuilding Support Office been created?*
  - d. *Has a voluntary peacebuilding support fund been established?*

**2005 World Summit Outcome Action:** Not Applicable.

**APPENDIX 1**

3. **The United States should also encourage member governments with expertise in peacebuilding activities, such as those related to rule of law, to play lead nation roles on these issues in particular peace operations.**

- a. *Has the U.S. Congress passed a resolution communicating this?*
- b. *Has this been formally communicated by the U.S. Mission to the U.N. in the Security Council, General Assembly, or directly to relevant members?*

**2005 World Summit Outcome Action:** The summit endorsed involving those nations which have "experienced post-conflict recovery" in the Commission.

4. **The Task Force supports an increase in funding for the peace operation-related activities of the Office of the High Commissioner for Human Rights and the U.N.'s Electoral Assistance Division.**

- a. *Has funding increased for the peace keeping activities of the Office of the High Commissioner for Human Rights and the U.N.'s Electoral Assistance Division?*

**2005 World Summit Outcome Action:** The summit endorsed a doubling of the budget of the Office of the High Commissioner for Human Rights, though it was stipulated that the staff should be balanced both geographically and by gender.

#### **V. U.S. Capacity in Civilian Postconflict Stabilization Activities**

1. **To enhance U.S. ability to support postconflict reconstruction and to coordinate its efforts with the United Nations and other governments, the United States should strengthen the new State Department Office of the Coordinator for Reconstruction and Stabilization, and Congress should provide it with resources necessary (and requested by the administration) to play its coordination role.**

**2005 World Summit Outcome Action:** Not Applicable.

#### **VI. Sanctions**

1. **Sanctions must be part of an overall strategy that integrates diplomacy and coercion in an informed and effective manner, and must be carefully targeted to avoid unintentional impacts, punish perpetrators of abuses and illegality, and create incentives for change. Member-states and the Secretariat must develop dedicated capacities for sanctions analysis, implementation and enforcement.**

- a. *Does the U.S. have dedicated capacities for sanctions analysis, implementation, and enforcement?*
- b. *Do other member states?*
- c. *Does the Secretariat have a dedicated capability for sanctions analysis, implementation, and enforcement?*

**2005 World Summit Outcome Action:** The summit agreed with these general goals, however did not offer mechanisms to implement such a policy.



**APPENDIX 1*****Helping People and Nations: Development and Humanitarian Assistance*****I. General Recommendations**

1. The U.S. Department of State should be the policy leader for development and humanitarian assistance issues, especially with respect to coordinating U.S. Government support to multilateral organizations.

**2005 World Summit Outcome Action:** Not Applicable.

2. Enhance the predictability and coherence of U.S. support of U.N. assistance.

**2005 World Summit Outcome Action:** Not Applicable.

3. Place greater emphasis on external evaluation of U.N. development and humanitarian programs.

**2005 World Summit Outcome Action:** No action taken by the U.N.

**II. Reducing Poverty**

1. Push the United Nations to balance the interest in poverty reduction with an interest in governance and economic growth.

**2005 World Summit Outcome Action:** The summit acknowledged the need for good governance at the national and international level.

2. The U.S. Department of State's new office for the Office of the Coordinator for Reconstruction and Stabilization (S/CRS) should establish a collaborative relationship with the U.N. Peacebuilding Commission, if such a new body is created as part of U.N. reform.

**Note:** This action requires that a U.N. Peacebuilding Commission be established.

**2005 World Summit Outcome Action:** Not Applicable.

3. Reorient the mission and activities of the Economic and Social Council (ECOSOC), giving it a clearly focused mission.

*2005 World Summit Outcome Action: The summit outlined the mission of the ECOSOC, and stated that it should change from its current form, but did not express what actual changes should take place.*

4. ECOSOC should eliminate the practice of secret voting by members, and the Department for Economic and Social Affairs should be streamlined.

- a. Does ECOSOC continue secret votes?
- b. Are the Department for Economic and Social Affairs more streamlined then before?

**2005 World Summit Outcome Action:** No action taken by the U.N.

**APPENDIX 1****III. Containing Disease****1. Strengthen the U.N. relationship with the World Bank.**

- a. Are regular meeting taking place between World Bank and U.N. representatives?*
- b. Are the World Bank and U.N. publishing coordinated documents, plans, and policies?*

**2005 World Summit Outcome Action:** The summit endorsed having representatives of the World Bank on the Peacebuilding Commission.

**2. Connect the U.N. Development Group (U.N.DG) with the equivalent executive bodies dealing with humanitarian and peacekeeping operations.**

- a. Are the representatives from the U.N. Development Group (U.N.DG) and equivalent humanitarian and peacekeeping executive bodies meeting regularly?*
- b. Are the U.N.DG and equivalent humanitarian and peacekeeping executive bodies publishing coordinated documents, plans, and policies?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

**3. Empower resident coordinators with regard to sector-wide strategies and budgets.**

- a. Are resident coordinators producing and publishing sector-wide strategies?*
- b. Are resident coordinators actually exercising day-to-day influence over their budgets?*

**2005 World Summit Outcome Action:** Recommended by the summit.

**4. Apply new business models for delivering assistance, including greater partnership between U.N. agencies and the private sector.**

**2005 World Summit Outcome Action:** While they welcomed the contribution of the private sector they did not embrace private sector models.

**5. Rationalize and simplify the funding of U.N. Programs.**

**2005 World Summit Outcome Action:** No cohesive policy on this matter was articulated.

**6. The Consolidated Appeals Process (CAPS) model—which greatly improves transparency and improves the ability of member governments to donate to priority programs—should be replicated beyond its current application in humanitarian relief to other domains of U.N. assistance, such as child survival, peace-building, rule of law, postcrisis recovery (including demobilization and reintegration of soldiers), and disaster risk mitigation.**

- a. Has the CAPS model been applied to child survival?*
- b. Has the CAPS model been applied to peace-building?*
- c. Has the CAPS model been applied to rule of law?*
- d. Has the CAPS model been applied to postcrises recovery?*

**Bold and listed by Number— Task Force Recommendations**

*Italics and listed by letter – Proposed Performance Measures*

**Bold and Underscored – 2005 World Summit Action**

Appendix-26-

**APPENDIX 1**

*e. Has the CAPS model been applied to disaster risk mitigation?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

7. **Allow leading U.N. officials and resident coordinators to appoint the personnel they wish, but hold them accountable for the mission and results.**

**2005 World Summit Outcome Action:** The summit called for giving "appropriate authority" to such officials, without defining the amount of latitude.

8. **U.N. field offices should be encouraged to continue moving toward common services.**

**2005 World Summit Outcome Action:** No action taken by the U.N.

9. **Establish third-party and independent mechanisms for auditing as well as for monitoring and evaluation.**

**2005 World Summit Outcome Action:** No action taken by the U.N.

10. **Strengthen the lead coordinating role of WHO in combating infectious diseases.**

**2005 World Summit Outcome Action:** No action taken by the U.N.

11. **WHO should operate in all areas of the world. Taiwan, for instance, is excluded from WHO membership due to the opposition of China. This deprives the organization of valuable resources and significantly impedes the fight against the SARS epidemic and other infectious diseases. Taiwan should have the closest possible association with WHO.**

*a. Is WHO operating in Taiwan?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

12. **Strengthen and mandate U.N.ICEF to regain the lead it once had, ten years ago, in the global efforts for child survival and against hunger and nutritional deficiency diseases.**

**2005 World Summit Outcome Action:** No action taken by the U.N.

#### **IV. Alleviating Disaster**

13. **Re-engineer the relief architecture of the U.N..**

**2005 World Summit Outcome Action:** No action taken by the U.N.

**APPENDIX 1**

- 14. Require that 15–20 percent of disaster funding be spent toward risk reduction and mitigation.**
- a. *What is the actual percentage of disaster funding being spent on risk reduction and mitigation?*

**2005 World Summit Outcome Action:** No action taken, though they affirmed the need to help nations suffering from disasters.

**APPENDIX 1****Non-Task Force Recommendations and  
Suggested Performance Measures*****Rejection of the Anti-Democratic Elite Global Governance Movement***

1. **A coalition of genuine democratic nation states led by the United States should explicitly and consistently reject a growing anti-democratic international movement of elite groups that seeks to create a system of rules and “laws” of “global governance” using international venues to undermine and limit American rights and the American Constitution.**
  - a. *Do official U.N. documents promote the concept of “global governance” as superior to the concept of “democratic sovereignty” or the principle that the highest political authority resides in the self-governing democratic state?*
  - b. *Do official U.N. documents claim to speak for the “people of the world,” although they have no democratic authority to do so?*
  - c. *Do U.N. Treaties and Conventions ever propose to restrict the individual rights of the citizens in democratic states, more than the elected officials of those states themselves?*
  - d. *Do U.N. Treaties and Conventions grant special privileges to non-democratic organizations, including NGOs in their relationship with democratic nation-states?*
  - e. *Do U.N. Treaties, Conventions, agencies and officials grant special privileges to NGOs that are inconsistent with the vision of the founders of the United Nations?*
  - f. *Are NGOs ever seen as a substitute for the democratic nation-state by U.N. agencies and officials?*
  - g. *Does official U.N. literature continue to promote the amorphous concept of “global governance” that implies that there is a layer of legitimate political authority above the democratic nation-state?*
  - h. *Does official U.N. literature continue to promote the amorphous concept of “global civil society” which fails to distinguish among democratic nation-states, undemocratic regimes, and the constitutional limits and political accountability within a democratic state?*
  - i. *Do the populations of democratic nation-states subsidize the promotion of “norms” and “values,” (throughout the world and within their own countries), by unaccountable U.N. officials that are overwhelmingly opposed by tax-paying populations of these democratic states?*

**2005 World Summit Outcome Action:** Not Applicable.

2. **The United States should explicitly affirm the principle of “democratic sovereignty” as a core universal principle in all international and global relations, and as central to the administration of the United Nations.**
  - a. *Has the U.N. internalized and promoted in its official documents the concept of “democratic sovereignty?”*
  - b. *Has the U.N. recognized in its official documents that democratic legitimacy comes only from the democratic nation-state?*
  - c. *Does the U.N. recognize in its official documents that the democratic nation-state is the most democratic of all institutions, that is to say, that the democratic nation-state is more democratic than NGOs, international organizations, and the bureaus and institutions of the United Nations itself? Is this recognition of the centrality of the democratic nation-state to democratic legitimacy clear in the official U.N. documents?*

**APPENDIX 1**

- d. *Do U.N. rapporteurs in monitoring the compliance of democratic nation-states to various U.N. conventions and treaties promote the enactment of measures that are inconsistent with the democratic procedures of the country involved? It would be necessary to examine the reports of rapporteurs on U.N. conventions and treaties on, for example, civil liberties, torture, racial discrimination, children, women, from democratic states such as the US, Britain, Israel, Australia, Belgium, Chile, Czech Republic, etc.*

**2005 World Summit Outcome Action:** Not Applicable.

***Ending U.N. Discrimination against Israel***

1. **Any Reform of the U.N. Must Extend to Israel.**  
 a. *Has Israel been granted full membership?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

2. **The U.N. must abolish all of the U.N. machinery responsible for the year-round, global campaign of discrimination and demonization of Israel.**  
 a. *Has the Committee on the Inalienable Rights of the Palestinian People been abolished?*  
 b. *Has the Special Committee to Investigate Israeli Practices been abolished?*  
 c. *Has the Division of Palestinian Rights been abolished?*  
 d. *Has the sub-section of the Department for Public Information on the Palestinian Issue been abolished?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

3. **The U.N. must end the one sided U.N. approach to the Palestinian-Israeli Conflict.**  
 a. *Has the U.N. adopted a comprehensive definition of terrorism that encompasses terrorist organizations and sponsors of terrorism against Israel?*  
 b. *Has the U.N. adopted a comprehensive definition of terrorism that encompasses all organizations and organizations set out in the lists of the U.S. Department of State?*  
 c. *Has the U.N. applied Chapter VII sanctions against organizations and state sponsors of terror against Israel?*  
 d. *Has the U.N. removed any language in its resolutions that are one-sided and which purport to dictate results of final status negotiations between the parties, such as describing Israel as an occupying force, failing to take account of the successive wars of self-defense that Israel has been required to fight since its creation and the ongoing threats to its security?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

4. **The U.N. must take strong action to combat the scourge of anti-Semitism.**  
 a. *Has the General Assembly adopted a resolution dedicated specifically to combating all forms of anti-Semitism?*  
 b. *Has the General Assembly or the Secretary General commissioned a report to investigate, describe and provide recommendations on combating anti-Semitism?*  
 c. *Has the Human Rights Council taken action to investigate and combat anti-Semitism?*

**APPENDIX 1**

- d. *Has the U.N. eliminated funding for follow-up of the Durban World Conference Against Racism, including in the Office of the U.N. High Commissioner for Human Rights, which fomented anti-Semitism and the demonization of Israel?*

**2005 World Summit Outcome Action:** No action taken by the U.N.

5. **The High-level Panel on Threats, Challenges and Change, appointed by the U.N. Secretary-General offered a sharp critique of the work program of the U.N. General Assembly. Its words are important to note:**

**“The keys to strengthening the General Assembly’s role are focus and structure. Its norm-making capacity is often squandered on debates about minutiae or thematic topics outpaced by real-world events. Its inability to reach closure on issues undermines its relevance. An unwieldy and static agenda leads to repetitive debates. Although some resolutions such as the 1948 Universal Declaration of Human Rights and the 2000 United Nations Millennium Declaration are highly significant, many others are repetitive, obscure, or inapplicable, thus diminishing the credibility of the body. But detailed procedural fixes are not going to make the General Assembly a more effective instrument than it is now. That can only be achieved if its Members show a sustained determination to put behind them the approach which they have applied hitherto.**

**Member states should renew efforts to enable the General Assembly to perform its function as the main deliberative organ of the United Nations. This requires a better conceptualization and shortening of the agenda, which should reflect the contemporary challenges facing the international community. Smaller, more tightly focused committees could help sharpen and improve resolutions that are brought to the whole Assembly.”**

**The Panel should be asked to reconvene and spell out in detail a set of recommendations for a fundamental restructuring of the U.N. General Assembly’s work program.**

**2005 World Summit Outcome Action:** No action taken by the U.N.

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United States Government Accountability Office

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GAO

Testimony  
Before the Permanent Subcommittee on  
Investigations, Committee on Homeland  
Security and Governmental Affairs, U.S.  
Senate

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UNITED NATIONS

Preliminary  
Observations on  
Internal Oversight and  
Procurement Practices

Statement of Thomas Melito, Director  
International Affairs and Trade



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GAO-06-226T



Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss internal oversight and procurement in the United Nations (UN). The findings of the Independent Inquiry Committee into the UN's Oil for Food Program have rekindled long-standing concerns about internal oversight and procurement at the United Nations. In addition, the UN's 2005 World Summit called for a host of reforms, from human rights, terrorism, and peace-building to economic development and management reform.

Today, I will share with you our preliminary observations on the UN's budgeting processes as it relates to the ability of the UN's Office of Internal Oversight Services (OIOS) to perform independent and effective oversight.<sup>1</sup> I will also discuss some of the UN's efforts to address problems affecting the openness and professionalism of its procurement system. I would like to emphasize that my comments today reflect the preliminary results of two ongoing GAO engagements examining the UN's internal oversight and procurement services. We will issue reports covering a wide range of issues in both areas early next year.<sup>2</sup>

To conduct our work to date, we met with senior Department of State officials in Washington, D.C., and senior officials with the U.S. Missions to the UN in New York, Vienna, and Geneva. At these locations, we also met with the UN Office of Internal Oversight Services management officials and staff; UN Procurement Service officials and staff; representatives of several UN funds, programs, and specialized agencies; and the UN external auditors—the Board of Auditors (in New York) and the Joint Inspection Unit (in Geneva). We reviewed relevant OIOS program documents, manuals, and reports. To assess the reliability of OIOS's funding and staffing data, we reviewed the office's budget reports and discussed the data with cognizant officials. We determined the data were sufficiently reliable for the purposes of this report. To conduct our work on UN procurement, we reviewed past GAO, UN audit, and expert reports on UN procurement practices. We also reviewed the UN's procurement manual, training materials, ethics rules, and financial rules and regulations. In addition, we interviewed UN and U.S. government officials. We made the Department of State and UN officials aware of the contents of our testimony. We performed our work between April 2005 and October 2005 in accordance with U.S. generally accepted government auditing standards.

<sup>1</sup>In our previous report on this topic (*United Nations: Status of Internal Oversight Services*, GAO/NSIAD-98-9, Washington, D.C., Nov. 19, 1997), we recommended that the Secretary of State encourage the Under Secretary-General for Internal Oversight Services to do more to help maintain OIOS's independence and establish the office as the authoritative internal oversight mechanism the General Assembly intended it to be.

<sup>2</sup>Our report on OIOS, which will be issued in spring 2006, will examine, among other issues, the Office's management structures and accountability frameworks, including risk assessment and recommendations tracking. Our report on the UN Procurement Service that will be issued in spring 2006 will, among other issues, examine the internal controls in place to ensure compliance with procurement regulations. The Secretariat is currently reviewing these controls in the wake of recent events concerning the UN's Procurement Service, which is currently under interim leadership.

### Summary

OIOS's ability to carry out independent, effective oversight over UN organizations is hindered by the UN's budgeting processes for its regular and extrabudgetary resources. In establishing OIOS in 1994, the General Assembly passed a resolution stating that OIOS should exercise operational independence in carrying out its oversight responsibilities and that the Secretary-General should take into account the independence of the office in preparing its budget. The Secretariat's budget office—over which OIOS has oversight authority—exercises control over OIOS's regular budget, which may result in conflicts of interest and infringe on OIOS's independence. In addition, UN budgeting processes make it difficult for OIOS to reallocate its regular budget resources among OIOS locations worldwide or among its three oversight divisions—internal audit; investigations; and monitoring, evaluation, and consulting services—to meet changing priorities. OIOS officials provided us with several examples of work funded through the regular budget that they were unable to undertake due to resource constraints. In addition, OIOS does not have a mechanism in place to identify or justify OIOS-wide staffing needs, except for peacekeeping oversight services. OIOS also lacks control over its extrabudgetary resources, which comprise 62 percent of its overall budget in fiscal biennium 2004-2005. The UN funds and programs that the OIOS oversees maintain control over some of these resources since OIOS negotiates its terms of work and payment for services with the managers of the programs it intends to examine. If the entity does not agree to an OIOS examination or does not provide sufficient funding for OIOS to carry out its work, OIOS cannot adequately perform its oversight responsibilities.

The United Nations has made progress in improving the clarity of its procurement manual but has yet to fully address previously identified concerns affecting the lack of openness and professionalism of its procurement system. Specifically, concerns remain relating to an independent bid protest system, staff training and professional certification, and ethics regulations. In 2002, the United Nations revised its procurement manual, which now provides staff with clearer guidance on UN procurement regulations and policies, including more detailed step-by-step instructions of the procurement process than it had when we reported in 1999. However, the Secretariat has yet to enhance the openness of the procurement system by heeding a 1994 recommendation by outside experts that it establish an independent bid protest process. At present, vendors cannot file complaints with an independent official or office if they believe that the UN Procurement Service has not handled their bids appropriately. As a result, senior UN officials may not be made aware of problems in the procurement process. In addition, the United Nations has not fully addressed longstanding concerns affecting the professional qualifications of its procurement workforce. The Procurement Service is developing a new training curricula and a professional certification program. It has trained some procurement staff as instructors but has yet to complete the training curricula. In addition, the United Nations still needs to develop the individual training profiles necessary to determine the extent of its training requirements. A June 2005 report by an independent contractor indicated that most headquarters procurement officers and procurement assistants do not possess professional procurement

certifications. According to the contractor, the level of certification was low in comparison to other organizations. Further, the United Nations has yet to adopt several internal proposals to clarify UN ethics regulations for procurement staff and vendors, such as a code of conduct.

### **Background**

Established in 1994 to serve as the UN's main oversight body, OIOS operated with a budget of \$63.9 million in fiscal biennium 2004-2005 and employs a workforce of 256 staff in 20 locations around the world. OIOS was established to assist the Secretary-General in fulfilling internal oversight responsibilities over UN resources and staff. The stated mission of the OIOS is "to provide internal oversight for the United Nations that adds value to the organization through independent, professional, and timely internal audit, monitoring, inspection, evaluation, management consulting, and investigation activities and to be an agent of change that promotes responsible administration of resources, a culture of accountability and transparency, and improved program performance."<sup>3</sup> The office is headed by an Under Secretary-General who is appointed by the Secretary-General for a 5-year fixed term with no possibility of renewal.<sup>4</sup> The Under Secretary-General may be removed by the Secretary-General only for cause and with General Assembly approval. OIOS's authority spans all UN activities under the Secretary-General, namely the UN Secretariat in New York, Geneva, Nairobi, and Vienna; the five regional commissions for Africa, Asia and the Pacific, West Asia, Europe, and Latin America and the Caribbean; peacekeeping missions and humanitarian operations in various parts of the world; and numerous UN funds and programs, such as the United Nations Environment Program (UNEP), United Nations Human Settlements Program (UN-HABITAT), and the Office of the United Nations High Commissioner for Refugees (UNHCR).<sup>5</sup>

The UN Procurement Service is located within the UN Secretariat's Department of Management, at the UN headquarters in New York City. As of August 2005, the Procurement Service had a staff of 71 personnel that included 21 procurement officers, 5 associate procurement officers, and 24 procurement assistants. The Procurement Service manages procurement for the UN Secretariat headquarters and procures air services and items costing more than \$200,000 for the Secretariat's peacekeeping and other field missions. While it also provides procurement guidance and support to UN personnel who procure goods and services in the Secretariat's peacekeeping and other field missions, it

<sup>3</sup> In December 2004, the General Assembly passed a resolution making all OIOS's audit reports available to any member state upon request.

<sup>4</sup> A new Under Secretary-General for Internal Oversight Services was appointed in July 2005.

<sup>5</sup> OIOS's authority does not extend to UN specialized agencies such as the Food and Agriculture Organization (FAO), International Labor Organization (ILO), and World Health Organization (WHO).

does not directly supervise them.<sup>6</sup> Overall Secretariat procurement spending tripled between 1994 and 2004 as the number of UN peacekeepers in the field increased.<sup>7</sup>

Past reviews of the UN's procurement system have identified problems in each of the six commonly identified characteristics that define an effective procurement system.<sup>8</sup> In 1999, we found that the United Nations had yet to fully address these problems. The United Nations has retained a consulting firm to assess the Procurement Service's financial and internal controls, following the decision of a former procurement official to plead guilty to federal charges involving his receipt of funds from firms seeking UN contracts. The Procurement Service is currently under interim management.

#### **UN Budgeting Processes Limit OIOS's Effectiveness**

The ability of OIOS to carry out independent, effective oversight is impeded by the UN's budgeting processes for the regular budget and funds from the assessed peacekeeping budget and voluntary contributions from funds and programs subject to OIOS's oversight, which is known as extrabudgetary resources. The Secretariat's budget office—over which OIOS has oversight authority—exercises control over OIOS's regular budget, which may result in potential conflicts of interest. UN budgeting processes make it difficult for OIOS to shift resources among OIOS locations or divisions to meet changing priorities. In addition, OIOS lacks control over extrabudgetary resources from UN funds and programs. OIOS negotiates its terms of work and payment for services with the manager of the program it intends to examine. However, if the entity does not agree to an OIOS examination or does not provide requested funding for OIOS to perform its work, OIOS cannot adequately perform its oversight responsibilities. These regular budget and extrabudgetary processes have impeded OIOS in its ability to complete some of its identified oversight priorities and raise serious questions about OIOS's independence.

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<sup>6</sup>For example, the 135 procurement staff who work in the Secretariat's peacekeeping field missions report to the Secretariat's Department of Peacekeeping Operations rather than to the Procurement Service in the Secretariat's Department of Management.

<sup>7</sup>In 1997, the Secretariat spent about \$430 million on procurement and fielded an average of about 21,000 peacekeepers per month. According to UN figures, in 2004 the Secretariat spent more than \$1.3 billion on procurement and fielded an average of 57,300 peacekeepers per month. Most (85 percent) of the \$1.3 billion spent by the Secretariat on procurement in 2004 was for peacekeeping.

<sup>8</sup>In our previous report on this topic (*United Nations: Progress of Procurement Reforms*, GAO/NSIAD-99-71, Washington, D.C., Apr. 15, 1999), we noted that openness and a professional workforce are two of six commonly identified characteristics of effective procurement systems. An open procurement system is characterized in part by a clear and formal bid protest process, a procurement manual, standard operating procedures, and policies and procedures that are understood by all participants. A professional workforce is characterized by competent and knowledgeable staff who have undergone professional training programs. Other commonly identified characteristics of effective procurement systems are integrity, competitiveness, accountability, and value. These characteristics were discussed by a high level group of procurement experts who reviewed the UN procurement system in 1994.

OIOS's Oversight Capacity Is Hindered by the UN's Budgeting Processes for the Regular Budget

OIOS's ability to carry out independent, effective oversight is hindered by the UN's budgeting processes for its regular budget. A General Assembly resolution in the creation of OIOS stated that the new internal oversight body shall exercise operational independence<sup>9</sup> and that the Secretary-General, when preparing the budget proposal for OIOS, should take into account the independence of the office.<sup>10</sup> OIOS receives its funding from two sources, the UN's regular budget and funds from the assessed peacekeeping budget and voluntary contributions from funds and programs subject to OIOS's oversight—known as extrabudgetary resources.<sup>11</sup> UN rules and regulations preclude the movement of funds between the regular budget and extrabudgetary resources. From 1996-1997 through 2004-2005, the number of staff funded by the regular budget has been relatively flat while the number funded by extrabudgetary resources has increased steadily. During that same period, OIOS's regular budget increased from about \$15 million to about \$24 million; its extrabudgetary resources grew from about \$7 million to about \$40 million. OIOS officials stated that the increase in extrabudgetary resources has been largely due to growth in oversight for U.N. peacekeeping (see fig. 1).

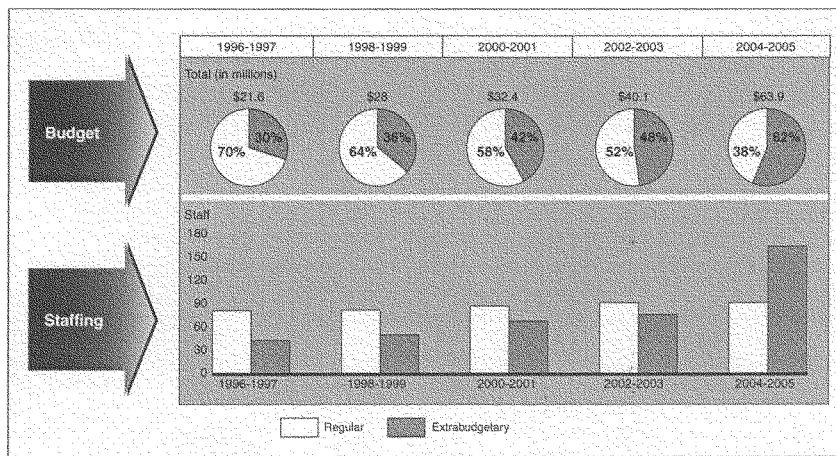
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<sup>9</sup> The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing defines independence as freedom from conditions that threaten objectivity or the appearance of objectivity. The Standards state that the chief audit executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The Lima Declaration of Guidelines on Auditing Precepts adopted by the International Organization of Supreme Auditing Institutions defines independence in terms of the independence of supreme audit institutions, the independence of their members and officials, and financial independence.

<sup>10</sup> Earlier this year, the General Assembly directed the Secretary-General to report on how to achieve full operational independence for OIOS, in accordance with its original mandate. The Secretary-General plans to issue the report before the end of 2005.

<sup>11</sup> OIOS's regular budget resources are funds from assessed contributions from member states and cover normal, recurring activities such as the core UN functions of the Secretariat. OIOS extrabudgetary resources are voluntary or assessed contributions made by member states to support a specific program or activity, including, for example, peacekeeping, war crime tribunals, and UN's various, separately administered funds and programs.

**Figure 1: OIOS's Regular Budget and Extrabudgetary Resources, Fiscal Biennium 1996-1997 to 2004-2005**



Note: Regular budget data are the appropriated amounts for the biennium. Extrabudgetary resources are estimates of the amounts allotted to OIOS that it expects to receive from UN entities not funded from the UN's regular budget.

The Secretariat's budget office—over which OIOS has oversight authority—exercises control over OIOS's regular budget, which infringes on the office's independence. In developing the biennium budget, the Under Secretary-General of OIOS sends its biennial budget request to the Secretariat's budget office for review. While OIOS can negotiate with the budget office on suggested changes to its budget proposal, it has limited recourse regarding the budget office's decisions. This process limits OIOS's ability to independently request from the General Assembly the resources it has determined it needs to provide effective oversight and also poses a conflict of interest.

UN budgeting processes make it difficult for OIOS to reallocate its regular budget resources among OIOS locations worldwide or among its three divisions—internal audit; investigations; and monitoring, evaluation, and consulting services—to meet changing priorities. For example, OIOS officials requested a reallocation of 11 investigative posts from New York to Vienna to save travel funds and be closer to the entities that they investigate. This change was approved only after repeated requests by OIOS over a number of years. In addition, although OIOS officials stated that they routinely identify high-risk and high-priority audits and investigations after the biennial budget has been determined, it is difficult to mobilize the resources required to carry out the work.

OIOS officials have stated that the office is under resourced, but they do not have a mechanism in place to determine appropriate staffing levels or to justify budget requests,

except for peacekeeping oversight services. Officials provided us with several examples of work funded through the regular budget that they were unable to undertake due to resource constraints. For example, although the Board of Auditors recommended on several occasions that OIOS develop the capacity to perform more information technology audits, OIOS officials said that they lack the financial and human resources to do so. We found that OIOS does not have a mechanism in place to determine its overall staffing requirements, which would help justify requests for additional resources. On the other hand, for peacekeeping audit services, OIOS has a metric—endorsed by the General Assembly—that provides one professional auditor per \$100 million annual peacekeeping budget. Although OIOS has succeeded in justifying increases for peacekeeping oversight services consistent with the large increase in the peacekeeping budget since 1994, it has been difficult to support staff increases in oversight areas that lack a comparable metric.

#### OIOS Lacks Control Over Extrabudgetary Resources

OIOS lacks control over the extrabudgetary resources funded by UN funds and programs. OIOS's reliance on extrabudgetary resources has been steadily increasing over the years—from 30 percent in fiscal biennium 1996-1997 to 62 percent in the last fiscal biennium, 2004-2005 (see fig. 1). According to OIOS officials, the growth in the office's budget is primarily due to extrabudgetary resources for audits and investigations of peacekeeping. OIOS is dependent on UN funds and programs and other UN entities for resources, access, and reimbursement for the services it provides. Heads of these entities have the right to approve or deny funding for oversight work proposed by OIOS. By denying OIOS funding, UN entities could avoid OIOS audits, and high-risk areas could potentially be excluded from adequate examination. For example, we have previously testified that the UN Office of the Iraq Program refused to fund an OIOS risk assessment of its program management division.<sup>12</sup>

UN funds and programs limit OIOS's ability to independently set its work priorities in that they exercise the power to decide and negotiate whether to fund OIOS oversight activities and at what level. OIOS officials stated that because of OIOS's budgetary structure, some high-priority work has not been undertaken. For example, according to a senior OIOS official, the office has not been able to adequately oversee the extrabudgetary activities of many entities, particularly those based in Geneva. In addition, the office also has not been able to oversee the UN Framework Convention on Climate Change or the UN Convention to Combat Desertification. OIOS reports that if funding is not forthcoming, OIOS may have no choice but to discontinue auditing certain extrabudgetary activities as of January 2006. In addition, in some cases, the fund and program manager have disputed the fees OIOS charges for its services. For example, 40 percent of the \$2 million billed by OIOS after it completed its work are currently in dispute, and since 2001, less than half of the entities have paid OIOS in full for investigative services it has provided. If the funds and programs fail to pay or pay late, this also adversely affects OIOS's resources.

<sup>12</sup>GAO, *United Nations: Oil for Food Program Audits*, GAO-05-346T (Washington, D.C.: Feb. 15, 2005).

### **The United Nations Has Made Progress but Has Yet to Fully Address Previously Identified Procurement Concerns**

The United Nations has improved the clarity of its procurement manual, which now provides procurement staff with clearer guidance on UN procurement regulations and policies. However, the United Nations has yet to fully address several problems affecting the openness and professionalism of its procurement system. Specifically, concerns remain relating to an independent bid protest system, staff training and professional certification, and ethics regulations.

#### The United Nations Has Improved the Clarity of its Procurement Manual

The UN Procurement Service has improved the clarity its procurement manual. The manual guides UN staff in their conduct of procurement actions worldwide. The Procurement Service is responsible for ensuring that the manual reflects financial rules and regulations and relevant Secretary-General bulletins and administrative instructions. An open and effective procurement system requires the establishment of processes that are available to and understood by vendors and procurement officers alike.<sup>13</sup>

In 1999, we reported that the manual did not provide detailed discussions of procedures and policies. The United Nations has addressed these concerns in the current manual, which was endorsed by a group of outside experts. The manual now has detailed step-by-step instructions of the procurement process for both field and headquarters staff, including illustrative flow charts. It also includes more guidance that addresses headquarters and field procurement concerns, such as delegations of procurement authority, more specific descriptions of short- and long-term acquisition planning, and the evaluation of requests for proposals valued at more than \$200,000. However, the United Nations has yet to add a section addressing renovation construction to the manual.

#### The United Nations Has Not Established an Independent Bid Protest Process

The United Nations has not heeded a 1994 recommendation by a group of independent experts to establish an independent vendor bid protest process “as soon as possible.”<sup>14</sup> As a result, UN vendors cannot protest the Procurement Service’s handling of their bids to an independent official or office. We reported in 1999 that such a process is an important aspect of an open procurement system.<sup>15</sup> A process that allows complaints to be adjudicated by an independent office could promote the openness and integrity of the process and help alert senior UN officials to the failure of procurement staff to comply with stated procedures.

<sup>13</sup>GAO, *United Nations: Progress of Procurement Reforms*, GAO/NSIAD-99-71 (Washington, D.C., Apr. 15, 1999).

<sup>14</sup>United Nations, *High Level Expert Group Procurement Study Report* (New York, N.Y., Dec. 1994).

<sup>15</sup>GAO, *United Nations: Progress of Procurement Reforms*, GAO/NSIAD-99-71 (Washington, D.C., Apr. 15, 1999).



The current UN bid protest process is not independent of the Procurement Service. Vendors are directed to file protests through a complaints ladder process that begins with the acting Chief of the Procurement Service and moves through his immediate supervisor, currently the Secretariat Controller. The Chief of the Procurement Service at that time stated that there is no vendor demand for an independent process.

In contrast to the UN's approach to bid protest, the U.S. government provides vendors with an agency level bid protest process. In addition, it also provides vendors with two independent bid protest forums. Vendors dissatisfied by a U.S. agency's handling of their bids may protest to the U.S. Court of Federal Claims or to the GAO. The GAO receives more than 1,100 such protests annually. Several other countries provide vendors with independent bid protest processes. Moreover, the United Nations has endorsed the use of similar independent bid protest mechanisms by other member nations. In 1994, the General Assembly approved a model procurement law that incorporates independent bid protest. In its comments on the law it drafted for the General Assembly, the UN Commission on International Trade Law stressed that a bid protest review body should be independent of the procuring entity.<sup>16</sup>

The United Nations Has Not Fully Addressed Concerns Regarding Certification and Training of Its Staff

The United Nations has not fully addressed longstanding concerns regarding the qualifications of its procurement staff. Although the Procurement Service is developing new training curricula and has initiated a certification program, most Procurement Service staff at headquarters have not been professionally certified. In addition, it has yet to determine the extent to which its training budget may need to increase to pay for these new programs.

A June 2005 report by a UN contractor indicated that most UN headquarters Procurement Service officers and assistants have not been certified as to the level of their procurement experience and education.<sup>17</sup> The report indicated that only 3 of the 20 procurement officers and 21 procurement assistants responding to a survey had been certified by a recognized procurement certification body.<sup>18</sup> The contractor informed us that the UN's level of certification was low compared with the level at other organizations. Their report concluded that it was imperative that more UN procurement staff be certified. Although the experts did not address the qualifications of field procurement staff, UN headquarters officials informed us that field procurement staff are also in need of more training.

<sup>16</sup>UN Commission on International Trade Law (UNCITRAL) Model Law on Procurement of Goods, Construction and Services.

<sup>17</sup>National Institute of Governmental Purchasing, *Assessment of UNPS Procurement Processes*, June 2005.

<sup>18</sup>The experts reported that about 90 percent of the personnel in these categories were represented in the survey. As of August 2005, the Procurement Service staff included 21 procurement officers and 24 procurement assistants.

Concerns regarding the qualifications of UN procurement staff are longstanding. Since 1994, international procurement experts reported that UN procurement staff were largely ill-trained or inexperienced and very few had any recognized procurement qualifications. In 1998, OIOS reported that the majority of the 20 professional headquarters procurement staff had procurement-related experience and were qualified. However, OIOS also stated that field procurement staff had limited procurement-related experience. In addition, OIOS reported that field-level procurement practices were at high risk due to continuing problems in training peacekeeping procurement staff in the field.<sup>19</sup> In 1999, we reported that the UN Secretariat procurement training program did not constitute a comprehensive curriculum to provide a continuum of basic to advanced skills for the development of procurement officers.<sup>20</sup>

The UN Procurement Service has acknowledged that more needs to be done to train and certify procurement staff. It has developed a basic and advanced training curriculum and provided training to staff at headquarters and in the field during 2004 and 2005. However, although the training curriculum covers several key topics in procurement, it does not provide in-depth or comprehensive coverage of some topics. For example, the training material does not include in-depth information on procurement negotiation, which is of particular importance in light of UN plans to renovate its headquarters complex. UN data indicates that 1-week basic procurement training courses are being provided to some field staff and that advanced procurement training courses are being provided to some headquarters and field staff. However, it is not clear whether all procurement staff have received training in both the basic and advanced curricula.

The Procurement Service has also begun developing a mandatory certification program. Procurement officials stated that their goal is to secure certification of all staff within 5 years. As part of this certification program, UN officials will train procurement staff to serve as trainers. According to UN officials, the curriculum for the trainers has been finalized and the UN has trained some staff as trainers. However, these staff have yet to receive the certification they need before they can train UN procurement staff. Other uncertainties relating to the certification program exist, including the number of staff who will require certification training and the type of certification they will receive.

Current budget levels for procurement training may not be adequate to support the new training efforts. A June 2005 report by the National Institute of Governmental Purchasing, Inc., advised the Procurement Service that its training budget was not sufficient to maintain the levels of training needed to ensure fair, open, and ethical procurement operations.<sup>21</sup> It recommended that the Procurement Service seek a larger budget. However, the budget's adequacy cannot be assessed because the Procurement Service has not yet developed training profiles for each staff member. Without

<sup>19</sup>These reports are summarized in *United Nations: Progress of Procurement Reforms*, GAO/NSIAD-99-71 (Washington, D.C., Apr. 15, 1999).

<sup>20</sup>GAO/NSIAD-99-71.

<sup>21</sup>The National Institute of Governmental Purchasing, *Assessment of UNPS Procurement Processes*, June 2005.

assessments of individual training needs, the Procurement Service cannot accurately determine the funds it requires to address those needs.

#### The United Nations Has Yet to Finalize Procurement Ethics Regulations

The United Nations has not yet acted on several proposals forwarded by the UN Procurement Service to clarify ethics regulations for procurement staff. Although the United Nations has established general ethics rules and regulations for all UN staff, the Secretary-General has directed that additional rules be developed for procurement officers concerning their status, rights, and obligations. The General Assembly also has asked the Secretary-General to issue ethics guidelines for procurement staff without delay. Several draft rules and regulations specifically addressing procurement ethics are waiting internal review or approval; no firm dates have been set for their promulgation.

If approved, the documents would emphasize that all procurement activities in the Secretariat are conducted in the sole interest of the United Nations. They include a declaration of ethics responsibilities for procurement staff, a code of conduct for vendors, and an outline of the policies in current rules and regulations as they relate to procurement staff. The proposed policies would also address ethics standards on conflict of interest and acceptance of gifts for procurement staff, and outline UN rules, regulations, and procedures for suppliers of goods and services to the United Nations.

Mr. Chairman, this completes my prepared statement. I will be happy to address any questions you may have.

#### **Contact and Acknowledgments**

For further information, please contact Thomas Melito at (202) 512-9601. Individuals making key contributions to this testimony included Assistant Director, Phyllis Anderson, Jaime Allentuck, Jeffrey Baldwin-Bott, Richard Boudreau, Lynn Cothorn, Timothy DiNapoli, Etana Finkler, Jackson Hufnagle, Kristy Kennedy, Clarette Kim, John Krump, Joy Labez, Jim Michels, Barbara Shields, Valérie Nowak, and Pierre Toureille.

**Related GAO Products**

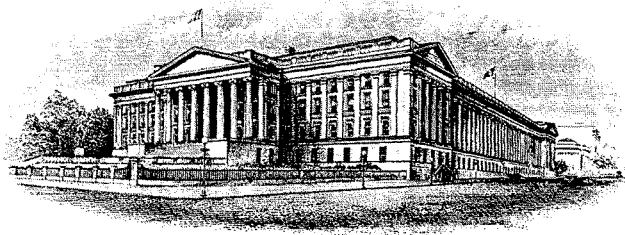
*United Nations: Sustained Oversight Is Needed for Reforms to Achieve Lasting Results*, GAO-05-392T (Washington, D.C.: Mar. 2, 2005).

*United Nations: Oil for Food Program Audits*, GAO-95-346T (Washington, D.C.: Feb. 15, 2005).

*United Nations: Reforms Progressing, but Comprehensive Assessments Needed to Measure Impact*, GAO-04-339 (Washington, D.C.: Feb. 13, 2004).

*United Nations: Progress of Procurement Reforms*, GAO/NSIAD-99-71 (Washington, D.C., Apr. 15, 1999).

(320394)



## DEPARTMENT OF THE TREASURY

**Testimony of Robert Werner, Director  
Office of Foreign Assets Control  
Before The Permanent Subcommittee on Investigations  
Committee on Homeland Security and Governmental Affairs**

**October 31, 2005**

Chairman Coleman, Ranking Member Levin and other distinguished members of the Subcommittee, I appreciate the opportunity to discuss the responsibilities of the Office of Foreign Assets Control, or OFAC, as these pertain to the United Nations "Oil-for-Food" program and the Iraqi sanctions.

My testimony today will center on the Committee's interest in OFAC's role regarding the administration, compliance and oversight of U.S. persons authorized to participate in the "Oil-for-Food" program as well as those who obtained licenses to engage in transactions related to travel to, and within, Iraq.

Before turning to a discussion of these responsibilities and processes, however, I would like to provide you with a general overview of OFAC's mission and jurisdictional authorities.

### **Mission and Jurisdiction**

Since becoming Director of OFAC in October of 2004, I have learned first hand that it is an exceptional agency of experienced, knowledgeable professionals dedicated to carrying out the complex mission of administering and enforcing economic sanctions programs based on U.S. foreign policy and national security goals with a workforce of 140 authorized full-time staff.

OFAC currently administers 30 economic sanctions programs against foreign governments, entities and individuals. Though eight of these programs have been terminated, they still require residual administrative and enforcement activities.

OFAC's authority to impose controls on transactions and to freeze foreign assets is derived from the President's constitutional and statutory wartime, and national emergency powers. In performing its mission, OFAC relies principally on delegations of authority made pursuant to the President's broad powers under the *Trading with the Enemy Act* ("TWEA"), *International Emergency Economic Powers Act* ("IEEPA"), and the *United Nations Participation Act* ("UNPA") to prohibit or regulate commercial or financial transactions involving specific foreign countries, entities, or individuals. In administering and enforcing economic sanctions programs, OFAC maintains a close working relationship with other federal departments and agencies to ensure that these programs are implemented properly and enforced effectively. OFAC works directly with the Department of State ("State"); the Department of Commerce ("Commerce"); the Department of Justice, the Federal Bureau of Investigation (FBI), the Department of Homeland Security's U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE); bank regulatory agencies; and other law enforcement agencies to fulfill our mission.

I would also note, Mr. Chairman, that all of the programs we administer require that we work closely with the broad range of industries potentially affected by these programs. We are expanding and improving our communication with our diverse constituencies ranging from the financial and services sectors to manufacturing and agricultural industries. The cooperation we receive from U.S. corporations in complying with sanctions is generally exceptional.

#### **UN/Iraq Sanctions Overview and Implementation**

Following the **Iraq** invasion of Kuwait on August 2, 1990, the UN Security Council issued UNSC Resolution 661 on August 6, 1990, imposing sweeping economic sanctions against **Iraq** and providing protective measures with respect to Kuwait. Resolution 661 also established a committee consisting of all members of the UN Security Council to monitor and supervise implementation of the sanctions (the "661 Committee"). Following the invasion of Kuwait, the President also issued Executive Order 12722, on August 2, 1990, which froze the assets of the Government of Iraq in the United States or under the control of U.S. persons and imposed a comprehensive trade embargo against Iraq. Following the adoption of UNSC Resolution 661, the President issued Executive Order 12724 on August 9, 1990, broadening the sanctions previously imposed. These sanctions were implemented by OFAC through the Iraqi Sanctions Regulations, 31 C.F.R. Part 575 (the "Regulations").

Section 575.205 of the Regulations prohibited any goods, technology or services from being exported from the U.S. to Iraq, except for donated articles intended to relieve human suffering that were authorized by OFAC on a case-by-case basis. Under sections 575.520 and 575.521 of the Regulations, U.S. persons could apply to OFAC for authorization to export to Iraq donated food and donated supplies intended strictly for medical purposes.

Except as otherwise authorized, section 575.207 of the Regulations prohibited U.S. persons from engaging in transactions relating to travel to Iraq by any U.S. citizen or permanent resident alien, or to activities by any U.S. citizen or permanent resident alien within Iraq. This prohibition included payments by U.S. persons for their own travel or living expenses while in Iraq. The Regulations did not prohibit travel transactions related to travel to Iraq or to activities within Iraq that were: (1) necessary to effect the departure of a U.S. citizen or permanent resident alien from Kuwait or Iraq; (2) relating to travel and activities for the conduct of the official business of the United States Government or the United Nations; or (3) by persons regularly employed in journalistic activity by recognized newsgathering organizations.

OFAC referred travel applications to the Department of State for foreign policy guidance in appropriate cases, such as when an applicant claimed a compelling humanitarian consideration (e.g., a critical illness of an immediate family member in Iraq), or where circumstances indicated that a national interest was at stake. In these instances, licensing determinations were made on a case-by-case basis in consultation with the Department of State. In addition, U.S. persons planning to travel to Iraq under a U.S. passport were required by the Department of State to have their passports validated for travel to Iraq by the Office of Passport Services.

In April of 1995, the Security Council adopted UNSC Resolution 986 (Oil-for-Food) as a temporary measure to provide for the humanitarian needs of the Iraqi people. In May of 1996, the Government of Iraq signed a Memorandum of Understanding setting out detailed arrangements for the implementation of Resolution 986. Under Oil-for-Food, the Government of Iraq was permitted to sell and to export from Iraq petroleum and petroleum products as well as purchase and import humanitarian materials and supplies to meet the essential needs of the civilian population in Iraq. The proceeds from sales of Iraqi-origin petroleum and petroleum products were to be deposited into a special escrow account at the New York branch of Banque Nationale de Paris ("BNP New York") where they would be used to fund purchases made by the Government of Iraq.

The Secretary-General established a panel of independent experts in the international oil trade to oversee oil-purchase contracts and ensure that they complied with requirements provided for in Resolution 986. The panel was responsible for assessing the pricing mechanisms for petroleum purchases in order to determine whether they reflected fair market value. The panel was also responsible for providing analysis and recommendations to the 661 Committee.

With respect to purchases of humanitarian materials and supplies, the Government of Iraq was required to prepare a categorized list of humanitarian goods and supplies it intended to purchase and import pursuant to Resolution 986 and submit it to the Secretary-General. The Secretary-General would then forward the distribution list to the 661 Committee. Individual contracts for purchases of humanitarian goods and supplies were submitted to the 661 Committee through the relevant UN mission of the exporting state. Committee members could disapprove any contract. Payment from the Iraq escrow account at BNP New York would only be approved for items included in the distribution list, unless the

661 Committee decided otherwise on a case-by-case basis. Experts in the UN Secretariat were to examine each contract, especially regarding quality and quantity of the goods and supplies in order to determine whether a fair price and value were reflected in the document.

Effective December 10, 1996, OFAC amended the Regulations to provide statements of licensing policy with respect to Oil-for-Food, which appeared in the December 11, 1996, edition of the Federal Register. Section 575.522 of the Regulations authorized U.S. persons to enter into executory contracts with the Government of Iraq for the purchase of Iraqi-origin petroleum and petroleum products, and to trade in oilfield parts and equipment and civilian goods, including medicines, health supplies and foodstuffs. U.S. persons were also authorized to enter into executory contracts with third parties outside OFAC's jurisdiction that were incidental to permissible executory contracts with the Government of Iraq. U.S. persons were not authorized to engage in transactions related to travel to, or within, Iraq for the purpose of negotiating and signing executory contracts. However, U.S. persons could enlist and pay the expenses of non-U.S. nationals to travel to Iraq on their behalf for the purpose of negotiating and signing executory contracts.

OFAC required U.S. persons, who had entered into executory contracts with the Government of Iraq for the sale of humanitarian materials and supplies or oilfield parts and equipment, to submit an application to OFAC for a case-by-case review and approval prior to performance of each contract. OFAC referred each application to the Department of State and if appropriate the Commerce Department for guidance on whether to authorize performance of the contract. State was then responsible for submitting the contract to the UN 661 Committee for review concerning whether to authorize release of funds from the Iraq account at BNP New York to pay for the goods upon their delivery to Iraq. OFAC issued a license determination after it received from State a copy of the 661 Committee approval of payment and a separate memorandum from State recommending that a specific license be issued to the applicant.

OFAC issued approximately 1050 specific licenses to U.S. persons for various aspects of the Oil-for-Food program, primarily under three provisions of the Regulations. Sales to the Government of Iraq of oilfield parts and equipment and humanitarian aid were subject to licensing under, respectively, sections 575.524 and 575.525 of the Regulations. Three U.S. companies were authorized under section 575.524 to sell oilfield parts and equipment directly to the Government of Iraq, and 23 U.S. companies were authorized under section 575.525 to make direct sales to the GOI of humanitarian aid. A total of 48 licenses were issued to these 26 U.S. companies authorizing performance of sales contracts entered into with the Government of Iraq.

Section 575.523 of the Regulations authorized the performance of contracts approved by the UN 661 Committee for the purchase of Iraqi-origin petroleum or petroleum products directly from the GOI. Nine U.S. companies were each issued a license under this section.



Most U.S. persons licensed by OFAC under this program were authorized to engage in trade transactions with third country entities who were contractors or subcontractors with the Government of Iraq. In other words, these remaining approximately 1000 specific licenses either authorized U.S. persons to engage in transactions with third parties related to sales to the GOI, or else authorized non-U.S. persons to engage in transactions involving U.S.-origin goods or components being supplied to the Government of Iraq. For example, under 575.523, OFAC issued thirteen specific licenses to seven U.S. persons for activities that facilitated the purchase of Iraqi oil by third parties.

Finally, the general license in section 575.526 of the Regulations authorized U.S. persons to import into the United States, and otherwise deal in, Iraqi-origin petroleum and petroleum products provided that the goods in question had been approved for purchase and export from Iraq by the 661 Committee.

#### **Outreach**

Because of the complexity of the Oil-for-Food program, OFAC engaged in an outreach program to assist licensees in understanding their obligations. OFAC provided guidance about the Program's requirements in hundreds of sanctions workshops. It also published information on Iraqi sanctions in numerous plain-language brochures, including *Iraq: What You Need to Know About U.S. Sanctions*, and *Foreign Assets Control Regulations for the Financial Community, ... for Exporters and Importers, ... for the Insurance Industry*, and *... for the Securities Industry*. Further, it referenced the program in articles published in industry magazines for bankers, for shippers, and for the international trade community.

In addition to engaging in this general guidance, in January of 1997, OFAC issued a memorandum to the attention of the U.S. Customs Service recommending that Customs require importers of Iraqi petroleum or petroleum products to provide a copy of the 661 Committee approval for which the petroleum or petroleum products in question comprised all or a part of the original purchase. In addition, OFAC suggested that Customs might wish to request from the importer a brief statement describing the type and amount of the imported Iraqi products and affirming that, to the best of the importer's knowledge and belief, the imported Iraqi petroleum or petroleum products comprised all or a portion of the purchase covered in the accompanying UN document. In a memorandum to OFAC dated March 6, 1997, Customs confirmed that it had issued instructions to Customs field offices pursuant to the guidance contained in OFAC's memorandum.

In December of 2000, OFAC also published explicit information about authorized and unauthorized payments under the Oil-for-Food program. This document, entitled "Guidance on Payments for Iraqi Origin Petroleum," was prepared in response to media reports that the Government of Iraq had attempted to force its oil customers to violate UN Security Council Resolutions by demanding that they pay premiums in the form of surcharges, port fees or other payments into an Iraqi controlled account. The guidance specifically stated that no transfer of funds or other financial or economic resources to or for the benefit of Iraq or a person in Iraq could be made except for transfers to the 986

Escrow Account. The document mirrored a December 15, 2000, communication from the 661 Committee with the following explicit points:

- 1.) The Sanctions Committee did not approve a surcharge of any kind on Iraqi Oil.
- 2.) Payments for purchasing Iraqi crude oil could not be made to a non-UN account.
- 3.) Therefore, buyers of Iraqi oil should not pay any kind of surcharge to Iraq.

#### **Designation Authority**

Under the Iraq sanctions program, OFAC had the authority to specially designate -- that is, to identify publicly and to block assets of any person, whether an individual or a business, that was directly or indirectly owned or controlled by the Government of Iraq, or that purported to act for or on behalf of that government. As an essential element of the Iraq sanctions, OFAC began an initiative to identify front companies and agents used to acquire technology, equipment, and resources for **Iraq** or to otherwise act for or on behalf of the Government of Iraq. Iraq Specially Designated Nationals (SDN) included Iraqi governmental bodies, representatives, agents, intermediaries or fronts, and could be either overt or covert entities of the government. The designations not only exposed these persons and blocked their assets but also cut them off from participation in the U.S. financial and economic systems. Ultimately, OFAC named approximately 300 separate entities or individuals as Iraq SDNs.

#### **Enforcement**

OFAC also worked closely with federal law enforcement agencies to enforce sanctions against Iraq. For example, CBP has responsibility to interdict goods destined to or from OFAC-sanctioned countries or groups. CBP inspectors contact OFAC's Enforcement Division when suspect goods are detained to determine if OFAC has issued licenses for these goods. OFAC's outreach training to CBP inspectors at the Federal Law Enforcement Training Center and at CBP Ports of Entry throughout the country included information about sanctions against Iraq.

Moreover, OFAC has completed over 300 investigations and audits against U.S. financial institutions, corporations and individuals involving violations of the Iraq sanctions program. The violations investigated ranged from unauthorized attempts to export goods to Iraq by U.S. companies to the operation of brokerage accounts for Specially Designated Nationals of Iraq by brokerage firms. In addition, audits of banking transactions conducted by OFAC have revealed other cases involving funds transfers destined for Iraq transmitted by U.S. banks. OFAC's action against violators included the issuance of warning letters, the imposition of civil monetary penalties and, where no violation was found, no further agency action depending on the nature, circumstances and scope of the violation.

Finally, criminal investigations of OFAC sanctions' programs are conducted by ICE, the Commerce Department's Office of Export Enforcement ("OEE"), and the FBI. OFAC plays a coordinating and advisory role in such cases, and works closely with agents and Assistant U.S. Attorneys. OFAC often provides an expert witness at trial. Criminal charges of IEEPA violations have been brought in at least 13 cases since August 1990, for unlicensed transactions with Iraq. These cases have involved illegal exports, money remittances and dealings in Iraqi oil.

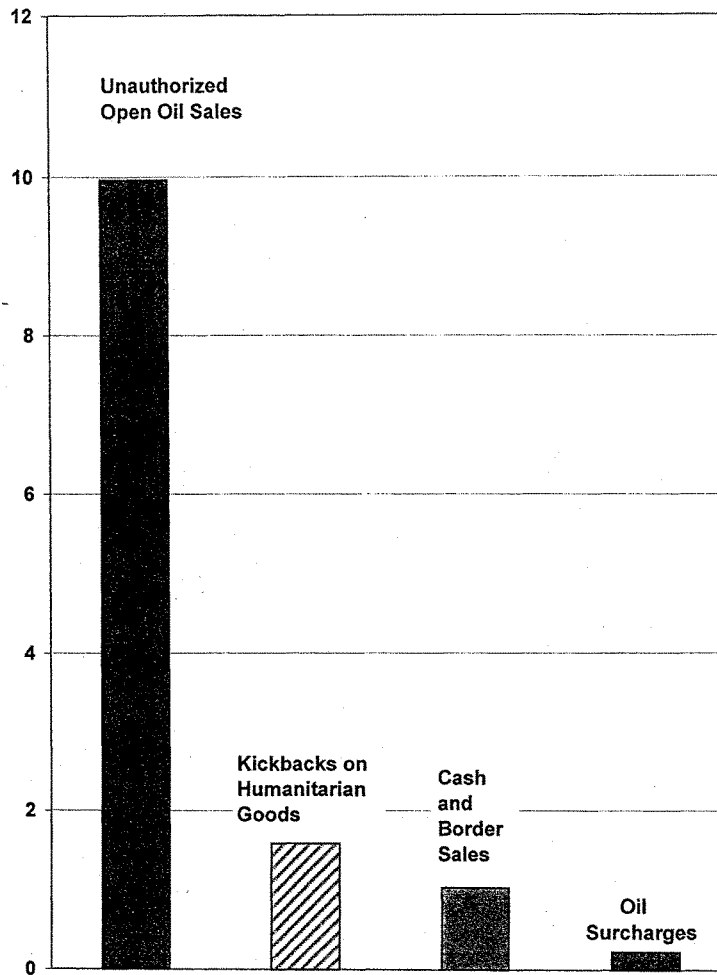
OFAC is also working with agents in a number of on-going criminal investigations, including investigations by the Department of Justice of potential violations of the Oil-for-Food program. In one case, dealing with the purchase of Iraqi oil in excess of the amount authorized by the U.N. under Oil-for-Food, OFAC ordered a U.S. company to place in excess of several million dollars into a blocked account at a U.S. financial institution. In another case, OFAC provided information from an Oil-for-Food license file to a U.S. Attorney's Office.

#### **Conclusion**

I thank the Committee for the opportunity to discuss OFAC's role in implementing economic sanctions against Iraq, including its role in the Oil-for-Food program. I look forward to taking your questions.

### Illicit Iraqi Income 1991-2003

Billions of  
Dollars



Data source: IIC Report, 9/05

Chart prepared by: Senate Permanent Subcommittee on Investigations,  
Minority Staff

10/31/2005

## OFAC CHRONOLOGY

- 6/7/01 U.N. letter to Bayoil asks for information about specific shipments.
- 6/25/01 Bayoil refuses to provide shipping information, because it is “completely outside [the U.N. Oil Overseer’s] authority and mandate under the [OFF] program.”
- 7/14/01 Bayoil supplies incomplete information.
- U.N. Office of Iraq Programme asks U.S. Mission to the U.N. for assistance.
- 8/17/01 U.S. State Department writes to U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) asking it to “contact Bayoil and urge the company respond quickly and completely to the Office of the Iraq Program’s request for information.”
- 11/28/01 U.N. again asks Bayoil for information.
- 1/10/02 U.N. again asks Bayoil for information.
- 1/24/02 Bayoil writes to U.N. but still does not provide the requested information, claiming prejudice against the company.
- 1/02 U.N. again asks the State Department for assistance and the State Department again contacts OFAC.
- 4/23/02 Eight months after the initial request for assistance, OFAC writes to Bayoil and requests a report on its transactions in Iraq; letter does not request specific information sought by U.N. or direct Bayoil to answer the U.N.’s questions. OFAC told the Subcommittee that its investigator recalled that the request had to do with “surcharges.”
- 5/22/02 Bayoil writes to OFAC saying that because Iraq will not issue contracts directly to U.S. companies, it is not doing work under its OFAC license.
- OFAC telephones Bayoil and asks to send Bayoil’s letter to the State Department.
- 7/2/02 Bayoil writes back that OFAC can share its letter with the State Department and U.S. Mission to the U.N. but with no one else, which means it cannot be shared with the U.N.
- OFAC never forwards Bayoil’s letter to anyone.  
The U.N. never obtained the information it sought about Bayoil.

Source: Report on Illegal Surcharges on Oil-for-Food Contracts and Illegal Oil Shipments from Khor al-Amaya, pp. 58-63. Prepared by U.S. Senate Permanent Subcommittee on Investigations, Minority Staff

Permanent Subcommittee on Investigations

EXHIBIT #2

Witness Statement

— = Redacted by the Permanent  
Subcommittee on Investigations

I, [REDACTED], affirm that the following statements are true and accurate to the best of my knowledge:

1. From 1998 until 2001 I worked as a consultant to the Italtech Company which purchased and traded oil from Iraq under the United Nations Oil for Food Program. In particular, I was retained by Italtech to (i) identify individuals and/or entities that had been granted allocations of crude oil from the Government of Iraq, and (ii) arrange meetings concerning the sale of such oil allocations between Italtech representatives and the recipients of the oil allocations. For these services, I was paid a commission by Italtech.
2. During this 3-year period of Oil for Food Program, I was intimately involved in the negotiation and purchase of approximately eight (8) oil allocations of Iraqi crude oil. The total volume of oil purchased in connection with those deals amounted to an estimated 16,000,000 barrels. The total value of oil purchased in those transactions amounted to an estimated \$240,000,000.00.
3. In 2000, I received information that a Jordanian businessman named Fawaz Zureikat was representing an individual who had been granted an allocation of oil by the Iraqi Government. I contacted Mr. Zureikat to inquire about the allocation and whether he was interested in selling it to Italtech.
4. At that time, I knew that the individual that Mr. Zureikat represented was a British official named George Galloway. Officials of the Iraqi State Oil Marketing Organization confirmed to me that Mr. Zureikat represented Mr. Galloway in the sale of Galloway's allocations of Iraqi crude oil. In addition, I personally read SOMO documents that stated that Mr. Zureikat represented Mr. Galloway with respect to Galloway's oil allocations. Lastly, the fact that Mr. Zureikat represented Mr. Galloway with respect to oil allocations and other business in Iraq was common knowledge, understood by many oil traders with whom I had regular contact.
5. I informed Mr. Zureikat that Italtech would be interested in purchasing the allocation of oil, and proceeded to arrange a face-to-face meeting between Mr. Zureikat and Italtech Chairman, [REDACTED].
6. The meeting with Mr. Zureikat occurred in Baghdad at the offices of Italtech. I attended and participated in that meeting with [REDACTED]. To the best of my recollection, this meeting took place during phase 8 of the Program. I recall that Italtech received its own oil allocation in approximately December 2000, at the beginning of phase 9. The meeting with Mr. Zureikat occurred a few months before that, approximately in the summer of 2000.

Redacted By  
Permanent Subcommittee  
on Investigations

Signed:

Dated:

Redacted by the  
Permanent Subcommittee  
on Investigations

17-10-2005

1

Redacted by the  
Permanent Subcommittee  
on Investigations

Permanent Subcommittee on Investigations  
**EXHIBIT #3a**

Redacted by the  
Permanent Subcommittee  
on Investigations

— = Redacted by the Permanent  
Subcommittee on Investigations

7. Mr. [REDACTED] negotiated with Mr. Zureikat the rate of commission that Italtech would pay in exchange for the oil allocation. Mr. [REDACTED] offered to pay a commission of 8 cents per barrel for Kirkuk and 12 cents per barrel of Basra. Initially, Mr. Zureikat agreed to this commission structure and a hand written draft of a contract was prepared between Italtech and Mr. Zureikat. Mr. Zureikat stated that he would have to get approval from his client before he could sign a formal contract. I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway.
8. The following day, Mr. Zureikat contacted me and stated that his client wanted 20 cents a barrel and that he would not accept a lower commission for Kirkuk oil. Once again, I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway.
9. Although the preliminary offer between Italtech and Mr. Zureikat had been drafted, the deal ultimately fell through and Italtech did not purchase the oil allocation from Mr. Zureikat and his client, Mr. Galloway.
10. In submitting this statement, I affirm that (i) I am making this statement voluntarily, (ii) I have never been and am not currently confined by or in the custody of any government, including the United States of America or Iraq, (iii) I was not promised anything in exchange for this testimony, and I have not received anything of value in exchange for this testimony, (iv) I have not been coerced or otherwise threatened and am not making this statement under duress, and (v) everything stated herein is true and accurate and presented to the best of my knowledge. I have requested confidential treatment of my identity – including the redaction of my name from this witness statement – because I fear that the disclosure of my identity will expose me to serious bodily harm.

Signed:

Redacted by the  
Permanent Subcommittee  
on Investigations

Dated:

17-10-2005

Redacted by the  
Permanent Subcommittee  
on Investigations

Redacted by the  
Permanent Subcommittee  
on Investigations

*United States Senate*  
**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**  
*Committee on Homeland Security and Governmental Affairs*

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*Norm Coleman, Chairman*  
*Carl Levin, Ranking Minority Member*

**REPORT CONCERNING  
THE TESTIMONY OF GEORGE GALLOWAY  
BEFORE THE PERMANENT SUBCOMMITTEE  
ON INVESTIGATIONS**

**PREPARED BY THE  
MAJORITY STAFF  
OF THE  
PERMANENT SUBCOMMITTEE  
ON INVESTIGATIONS**



**RELEASED OCTOBER 25, 2005**



## TABLE OF CONTENTS

<b>I. EXECUTIVE SUMMARY</b>	1
<b>II. INTRODUCTION</b>	2
<b>III. BACKGROUND</b>	4
A. George Galloway MP	4
B. The Mariam Appeal	5
C. Fawaz Zureikat and Middle East Advanced Semiconductor, Inc.	6
D. Deputy Prime Minister Tariq Aziz	6
<b>IV. EVIDENCE OF THE SOLICITATION AND EXECUTION OF OIL ALLOCATIONS GRANTED TO GALLOWAY AND THE RESULTING PAYMENTS</b>	7
A. Summary of Evidence	7
B. September 1999: The “Big Ben to Baghdad” Bus Tour	9
C. November 1999: Galloway Personally Solicits Oil Allocations from the Hussein Regime	10
D. Late November 1999: Galloway Has Detailed Discussion with an Oil Trader in Baghdad	10
E. December 1999–June 2000: Galloway is Awarded an Oil Allocation and Requests More Assistance	10
1. Tariq Aziz Authenticates the IIS Letter	11
2. Galloway Names Zureikat as His “Representative in Baghdad”	12
3. Galloway Asks that Neither His Nor His Wife’s Name Be Mentioned in Connection with the Oil Allocations or Other Commercial Transactions	12
4. May 2000: The “Committee of Four” Reviews the IIS Letter and Recommends to Saddam Hussein that Galloway’s Requests be Approved	13
F. SOMO Documents Corroborate Phase VII Allocation to Galloway	14
1. Galloway Awarded Allocation of Three Million Barrels in the Name of Chalabi	14
2. Galloway Asks for and Receives an Increase in His Oil Allocation	15
3. Zureikat Receives \$70,000 in Connection with M/07/83	16
G. The Phase VIII Allocation	17
1. Taurus Petroleum Lifts the Oil Allocated to Galloway	18
2. Taurus Pays Zureikat and Zureikat Forwards Money to Galloway’s Wife	19
a. Zureikat’s Payment of \$150,000 to Galloway’s Wife	20
b. Zureikat’s \$340,000 Transfer to the Mariam Appeal	22
c. Zureikat’s Other Payments Following Contract M/08/35	23
3. Zureikat Owes Surcharges for Contract M/08/35	23
H. The First Phase IX Allocation (Contract M/09/23)	24
I. The Second Phase IX Allocation (Contract M/09/118)	24
1. Taurus Lifts the Oil for Contract M/09/118	24
2. In Connection with M/09/118, Zureikat Makes a Payment to the Mariam Appeal	25
J. The Phase X Allocation	25
K. The Phase XI Allocation	26
L. The Phase XII Allocation	27
M. The Phase XIII Allocation	27
N. Additional Transfers of Funds to the Mariam Appeal Amount to \$230,000	27
1. Zureikat’s \$40,000 Transfer to the Mariam Appeal in March 2001	27
2. Other Transfers from Zureikat to the Mariam Appeal Amount to \$190,000	28
<b>V. ZUREIKAT PAYS IMPROPER SURCHARGES OF OVER \$1.6 MILLION TO THE HUSSEIN REGIME IN CONNECTION WITH GALLOWAY’S OIL ALLOCATIONS</b>	29
A. Zureikat Delays Payment of Surcharges for Contract M/08/35	30
B. Surcharges of \$304,320.90 in Connection with M/9/23	30

C. Zureikat Pays Surcharges of \$247,352.50 for Contract M/9/118 .....	30
1. Zureikat Makes a “Down Payment” of \$60,000 .....	30
2. Zureikat Pays Additional Surcharges of \$187,252.50 for Contract M/09/118 .	31
D. Zureikat Pays Surcharges of \$825,000 for Contract M/10/38 .....	32
E. Zureikat Pays Overdue Phase VIII Surcharges .....	32
F. Zureikat Agrees to Pay Surcharges in Phases XI and XII .....	33
<b>VI. FINDINGS RELATING TO GALLOWAY AND ZUREIKAT .....</b>	<b>33</b>
A. Findings Related to George Galloway .....	33
1. Galloway Knowingly Gave False or Misleading Testimony to the Subcommittee .....	33
2. Galloway’s Political Campaign – the Mariam Appeal – Received Funding from Oil Deals Made Under the Oil-for-Food Program .....	35
B. Findings Related to Fawaz Zureikat .....	35
<b>APPENDIX A .....</b>	<b>37</b>
<b>APPENDIX B .....</b>	<b>39</b>
<b>APPENDIX C .....</b>	<b>40</b>
<b>APPENDIX D .....</b>	<b>43</b>
<b>APPENDIX E .....</b>	<b>45</b>
<b>APPENDIX F .....</b>	<b>48</b>



## I. EXECUTIVE SUMMARY

On May 17, 2005, British Member of Parliament George Galloway appeared before the U.S. Senate Permanent Subcommittee on Investigations (the "Subcommittee") and testified under oath regarding evidence obtained by the Subcommittee that he solicited and received financial support from Iraq under the United Nations Oil-for-Food Program (the "Program").<sup>1</sup> Specifically, Galloway denied that he solicited and was granted lucrative allocations of Iraqi crude oil under the Program and denied that anyone did so on his behalf. He also denied that he or anyone else solicited oil allocations as a means of raising funds for the Mariam Appeal – Galloway's political campaign opposing the U.N. sanctions imposed upon Iraq.

Because Galloway's testimony and sweeping denials conflicted with the Subcommittee's evidence and May 12, 2005, Report, the Subcommittee continued its inquiry into the matter to test the veracity of Galloway's claims.<sup>2</sup> Since the May hearing, the Subcommittee has obtained additional evidence establishing that the Hussein regime granted oil allocations to Galloway and the Mariam Appeal. This Report, prepared by the Majority staff of the Subcommittee,<sup>3</sup> presents evidence establishing that:

1. Galloway personally solicited and was granted oil allocations from the Government of Iraq during the reign of Saddam Hussein. The Hussein regime granted Galloway and the Mariam Appeal eight allocations totaling 23 million barrels from 1999 through 2003;
2. Galloway's wife, Dr. Aminah Abu-Zayyad, received approximately \$150,000 in connection with one of those oil allocations;
3. Galloway's political campaign, the Mariam Appeal, received at least \$446,000 in connection with the oil allocations granted to Galloway and the Mariam Appeal under the Oil-for-Food Program;
4. The Hussein regime received improper "surcharge" payments amounting to \$1,642,000.65 in connection with the oil allocations granted to Galloway and the Mariam Appeal; and
5. Galloway knowingly made false or misleading statements under oath before the Subcommittee at its hearing on May 17, 2005;

Evidence supporting each of the preceding findings is presented in detail below. That evidence includes: (1) Documents, including bank account information and wire transfers, establishing that Fawaz Zureikat, a Jordanian businessman and close friend of Galloway, received money in connection with an oil allocation under the Oil-for-Food Program and transferred a significant portion of that money to Galloway's wife and Galloway's political campaign, the Mariam Appeal; (2) Testimony from Tariq Aziz in which Aziz describes in detail his discussions with Galloway concerning oil allocations, including Galloway's request for allocations and his subsequent request to increase the amount of oil allocated to him and his political organization, the Mariam Appeal; (3) Documents created by the Iraqi Ministry of Oil, including records created during the Hussein regime that were authenticated by the Minister of Oil; (4) Documents created by senior Hussein officials detailing Galloway's efforts to obtain financial support from the Hussein regime for his political campaign, including documents that were authenticated by Tariq Aziz and Ali Hasan al-Majid; (5) Interviews with an oil trader stating that he discussed the oil allocation process with Galloway, and that "[Galloway] told me that, if he were to obtain an oil allocation, he would contact us directly or indirectly" and that "[Galloway] said he or his representative in Iraq would contact [me] in connection with the sale of an allocation;" and (6) Written affirmation from a second oil trader who negotiated with Galloway's agent for the purchase of Galloway's oil allocation.

<sup>1</sup> See May 17, 2005, Permanent Subcommittee on Investigations Hearing entitled "Oil for Influence: How Saddam Used Oil to Reward Politicians Under the Oil-for-Food Program."

<sup>2</sup> The May 12, 2005, Report refers to the report prepared by the Majority and Minority Staffs of the Permanent Subcommittee on Investigations entitled "Report on Oil Allocations Granted to Charles Pasqua & George Galloway."

<sup>3</sup> The information in this Majority Staff Report is based upon a joint investigation by the Subcommittee's Republican and Democratic staff.

## II. INTRODUCTION

In April 2004, Subcommittee Chairman Norm Coleman directed the Subcommittee to initiate an investigation into allegations of abuse and misconduct related to the Oil-for-Food Program. Over the course of its inquiry, the Subcommittee has issued numerous subpoenas and document requests to individuals and entities, obtained and reviewed hundreds of thousands of documents from at least seven countries, and interviewed scores of witnesses. To date, the Subcommittee has held three hearings and issued four staff reports chronicling numerous abuses related to the Program.<sup>4</sup>

Three of those reports introduced evidence obtained by the Subcommittee concerning the Hussein regime's abuse of the Program through the awarding of lucrative "oil allocations" to foreign officials.<sup>5</sup> In particular, these bi-partisan reports presented evidence establishing that the Hussein regime granted such allocations to Russian official Vladimir Zhirinovskiy, the Russian Presidential Council, former French Minister of the Interior Charles Pasqua, and British Member of Parliament George Galloway. These reports were issued in conjunction with the Subcommittee's hearing on May 17, 2005, entitled "Oil for Influence: How Saddam Used Oil to Reward Politicians under the United Nations Oil-for-Food Program."

At that hearing, the Subcommittee presented evidence indicating that Galloway had been granted oil allocations from the Hussein regime. That evidence included documents created by the Iraqi Ministry of Oil during the reign of Saddam Hussein, documents created by the Iraqi Ministry of Oil after the fall of Saddam Hussein, testimony of senior officials of the Hussein regime who were interviewed by the Subcommittee, and interviews of Hussein regime officials conducted by the U.S. Treasury Iraqi Financial Asset Team. Among the senior regime officials that provided evidence against Galloway were Taha Yasin Ramadan, the Vice President of Iraq under Saddam Hussein, Tariq Aziz, Hussein's Deputy Prime Minister, and Amer Rashid, the Minister of Oil.

On May 17, 2005, Galloway testified at the Subcommittee's hearing, appearing voluntarily and under oath. In his opening statement and in response to questioning from Members of the Subcommittee, Galloway made both general and specific denials of the findings contained in the Subcommittee's report. For example, Galloway denied that he had been enriched by the Iraqi government or had taken any money from his friend, Jordanian businessman Fawaz Zureikat, in connection with any Oil-for-Food transaction. Specifically, Galloway testified that:

**I can assure you, Mr. Zureikat never gave me a penny from an oil deal, from a cake deal, from a bread deal, or from any deal.**

\* \* \*

**My point is, you have accused me personally of enriching myself, of taking money from Iraq, and that is false and unjust.**

Galloway recently reiterated the substance of his hearing testimony in response to interrogatories sent to him by the Subcommittee.<sup>6</sup> Specifically, Galloway denied having received any funds from Zureikat in connection with any deal under the Oil-for-Food Program.<sup>7</sup> When asked whether Zureikat had transferred any funds to his bank account in connection with any oil transaction, oil allocation, or any other Oil-for-Food related deal, Galloway responded "no."<sup>8</sup> When asked whether Zureikat made any such transfer to his wife, Dr. Aminah Abu-Zayyad, Galloway responded, "I have no knowledge of Mr Zureikat's business affairs."<sup>9</sup>

<sup>4</sup> For general information regarding the operation and abuses of Oil-for-Food Program, see S. Hrg. 108-761 "How Saddam Hussein Abused the United Nations Oil-for-Food Program" (Nov. 15, 2004) and S. Hrg. 109-43 "The United Nations' Management and Oversight of the Oil-for-Food Program" (Feb. 15, 2005).

<sup>5</sup> See Appendix A for a description of the process utilized by the Hussein regime to allocate oil under the Program.

<sup>6</sup> Galloway's response to Subcommittee's interrogatories. (Ex. 1). Mr. Galloway declined to be interviewed by the Subcommittee, but did agree to answer written questions. In submitting the interrogatories to Mr. Galloway, the Subcommittee informed him that the questions and his answers would be considered a continuation of his sworn testimony before the Subcommittee.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

At the May 17 hearing, Galloway testified that he had never been directly or indirectly involved in oil trading, and had never discussed oil allocations at any time with Deputy Prime Minister Tariq Aziz. Specifically, Galloway testified as follows:

**Senator, I am not now, nor have I ever been, an oil trader, and neither has anyone on my behalf. I have never seen a barrel of oil, owned one, bought one, sold one, and neither has anybody on my behalf.**

\* \* \*

**Senator Levin. ... Did you have conversations with Tariq Aziz about the award of oil allocations? That is my question.**

**Mr. Galloway. No.**

Since the May 17 hearing, Galloway has made statements confirming his denials under oath before the Subcommittee. In light of his comments at a recent debate with columnist Christopher Hitchens, for instance, there should be no ambiguity about the certainty of Galloway's denial at the May 17 hearing. At the debate, Galloway again denied having had any conversation regarding oil allocations with Aziz. In response to a challenge by Hitchens to sign an affidavit to that effect, Galloway stated "It's a complete lie. ... It's a lie. ... I've already dealt with this, it's a lie. Nobody ever discussed oil allocations with me, not Tariq Aziz, not anybody. I've already said it under oath, never mind an affidavit, under oath on pain of imprisonment in front of the U.S. Senate."<sup>10</sup>

Moreover, Galloway reiterated his position regarding this issue in his responses to interrogatories issued by the Subcommittee earlier this month. Specifically, Galloway stated that neither Aziz nor any other Iraqi official ever offered him an oil allocation.<sup>11</sup> According to Galloway, he never discussed nor was offered any financial support from Aziz to fund the Mariam Appeal or any other of Galloway's political activities.<sup>12</sup> Additionally, Galloway has also denied ever having spoken to Aziz about the possibility of Iraq providing financial support for the Mariam Appeal.<sup>13</sup>

In addition to testifying that he was not an oil trader and did not discuss oil allocations with Tariq Aziz, Galloway also testified that he had no knowledge that Fawaz Zureikat was transacting oil deals with Iraq, much less oil deals on his behalf or on behalf of the Mariam Appeal. Specifically, Galloway answered questions put to him by Senator Coleman as follows:

**Senator Coleman. I am asking you specifically, in 2001 were you aware that he [Fawaz Zureikat] was doing deals with Iraq?**

**Mr. Galloway. I was aware that he was doing extensive business with Iraq. I did not know the details of it. It was not my business.**

\* \* \*

**Senator Coleman. ... So in 2003, you are saying you do not know the answer to whether he was involved in oil deals?**

**Mr. Galloway. I told you in my previous two answers, I knew that Mr. Zureikat was heavily involved in business in Iraq and elsewhere but that it was none of my business what particular transactions or business he was involved in ...**

\* \* \*

**Senator Coleman. ... you never had a conversation with him in 2001 of whether he was ever doing oil business with Iraq?**

**Mr. Galloway. ... I never asked him if he was trading in oil.**

\* \* \*

**Senator Coleman. So in 2003 when you said you did not know whether he was doing oil deals, were you telling the truth at that time?**

<sup>10</sup> Excerpt from transcript of debate between Galloway and Hitchens at Baruch College (Sept. 14, 2005).

<sup>11</sup> Galloway's response to Subcommittee's interrogatories. (Ex. 1).

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

**Mr. Galloway. Yes, I was. I have never known until the Telegraph story appeared that he was alleged to be doing oil deals.**<sup>14</sup>

Since the May 17 hearing, Galloway has repeated to the Subcommittee that Zureikat performed no commercial activities on his behalf.<sup>15</sup> Moreover, Galloway maintains that he had no knowledge of Zureikat's business affairs.<sup>16</sup> Consistent with his testimony provided under oath at the Subcommittee's hearing, Galloway continues to assert that he had no knowledge regarding Zureikat's oil dealings until certain articles were published in the British newspaper *The Daily Telegraph*.<sup>17</sup>

A review of the evidence submitted in this Report demonstrates that each of Galloway's statements quoted above, including his statements made under oath to the Subcommittee, is false or misleading. The evidence obtained by the Subcommittee includes, but is not limited to:

1. Documents, including bank account information and wire transfers, establishing that Fawaz Zureikat, a Jordanian businessman and close friend of Galloway, received money in connection with an oil purchase under the Oil-for-Food Program, and transferred a significant portion of that money to Galloway's wife and Galloway's political campaign, the Mariam Appeal;
2. Tariq Aziz's detailed description of his discussions with Galloway concerning oil allocations, including Galloway's request for allocations and his subsequent request to increase the amount of oil allocated to him and his political organization, the Mariam Appeal;
3. Documents created by the Iraqi Ministry of Oil, including records created during the Hussein regime that were authenticated by the Minister of Oil;
4. Documents created by senior Hussein officials detailing Galloway's efforts to obtain financial support from the Hussein regime for his political campaign, including documents that were authenticated by Tariq Aziz and Ali Hasan al-Majid;
5. Interviews with an oil trader describing his discussion with Galloway about the oil allocation process, and stating that "[Galloway] told me that, if he were to obtain an oil allocation, he would contact us directly or indirectly" and that "[Galloway] said he or his representative in Iraq would contact [me] in connection with the sale of an allocation;" and
6. Written affirmation from a second oil trader who negotiated with Galloway's agent for the purchase of Galloway's oil allocation.

This evidence and additional evidence gathered by the Subcommittee is discussed in Section IV and Section V of this Report. Findings relating to both Galloway and Zureikat are made in Section VI.

### III. BACKGROUND

#### A. George Galloway MP

George Galloway<sup>18</sup> is currently a member of the British Parliament and has served there almost continuously since 1987 as the Member for Glasgow Hillhead, the Member for Glasgow Kelvin, and most recently, the Member for Bethnal Green and Bow.

Galloway has consistently denied allegations relating to receiving money or rights to oil allocations from the Hussein regime. In a statement issued in 2003, Galloway declared: "I have never solicited nor received money from Iraq for our campaign against war and sanctions. I have never seen a barrel of oil, never owned one, never bought one, never sold one." In a 2004 witness statement entered into evidence at the trial for a lawsuit brought by Galloway against the

<sup>14</sup> In referring to "the Telegraph story," Galloway was referring to articles published by *The Daily Telegraph* in April 2003 indicating that Galloway solicited financial support from the Hussein regime.

<sup>15</sup> Galloway's response to Subcommittee's interrogatories. (Ex. 1).

<sup>16</sup> *Id.* (Ex. 1).

<sup>17</sup> *Id.* (Ex. 1).

<sup>18</sup> *Id.* (Ex. 1).

*The Daily Telegraph*, he stated that “The allegations made by the *Telegraph* are very serious and extremely damaging. They are all false.” In sworn testimony in 2005 before the Subcommittee, Galloway stated “I have never seen a barrel of oil, owned one, bought one, sold one, and neither has anybody on my behalf.” Galloway’s denials in the press are too numerous to list.

#### B. The Mariam Appeal

In 1998, Galloway established and served as the first chairman of the “Mariam Appeal,” an organization named for Mariam Hamza, a 4-year old Iraqi girl suffering from leukemia. Galloway founded the Mariam Appeal at approximately the same time as he brought the girl from Iraq to the U.K. for medical treatment.<sup>19</sup> Initially, Galloway declared that funds raised by the Mariam Appeal would be used to pay for the girl’s treatment in the U.K. and “to demand the lifting of the sanctions on Iraq.”<sup>20</sup> Galloway also indicated that, once Mariam’s treatment was funded, excess donations would be directed to medical aid for Iraqi children.<sup>21</sup> Subsequently, however, Galloway stated that the Mariam Appeal was “a political campaign that was involved in a life-or-death struggle against the might of the British and American State[s].”<sup>22</sup>

Two bank accounts were established for the Mariam Appeal. The first account, opened in April 1998, was established at the Westminster House branch of Lloyds TSB Bank plc. Galloway was one of the signatories on the account.<sup>23</sup> As detailed below, the Mariam Appeal account at Lloyds was used as the primary, if not sole, depository for Fawaz Zureikat. In total, Zureikat deposited approximately £448,248 (\$668,617) into the Mariam Appeal account at Lloyds during the course of the Oil-for-Food Program. As will be demonstrated in this Report, all of Zureikat’s deposits into the Lloyds account were made *after* oil allocations were granted to Galloway by the Hussein regime. Moreover, the evidence obtained by the Subcommittee indicates that many of Zureikat’s deposits into the Mariam Appeal account at Lloyds TSB were derived from oil allocations that were granted to Galloway. The circumstances surrounding each of Zureikat’s known deposits into the Lloyds TSB account are detailed in Section IV, below.

Approximately one year after the Mariam Appeal opened its account at Lloyds, an account was opened in the name of the Mariam Appeal at the Trafalgar Square branch of the National Bank of Abu Dhabi (“NABD”). The Mariam Appeal account at NABD received its initial deposit of £509,721.57 (\$823,710) on April 13, 1999, by wire transfer from the “government of Abu Dhabi.”<sup>24</sup> The minutes of a meeting of the Mariam Appeal state that the Appeal had authorized the opening of the account at NABD “to reflect our gratitude to His Excellency the Deputy Prime Minister Sheikh Sultan Bin Zayed Al-Nahyan.” The authorized signatories of the account at NABD were Dr. Abu-Zayyad, Sabah Al-Mukhtar, and Stuart Halford.<sup>25</sup>

Over the life of the Mariam Appeal, approximately £756,116 was deposited into the Mariam Appeal account at Lloyds, and approximately £622,693 was deposited into the Mariam Appeal account at NABD, amounting to a total of £1,378,810 (over \$2.4 million) in deposits. The deposits made by the government of Abu Dhabi accounted for approximately 37% of all deposits made to Mariam Appeal accounts, making it the largest “donor” to the Mariam Appeal. Zureikat’s total deposits account for approximately 33% of all deposits into the Mariam Appeal accounts, making Zureikat the second largest “donor” to the Mariam Appeal. Other major deposits into the two Mariam Appeal bank accounts include those made by the Royal Embassy of Saudi Arabia (£20,000), Wajed Hakem Sultan (approximately £50,000), and an anonymous

<sup>19</sup> Witness Statement of George Galloway MP in Claim No. HQ03X02026, *George Galloway v. Telegraph Group Limited*, in the High Court of Justice, Queen’s Bench Division (“Telegraph Lawsuit”), at ¶ 38. (Ex. 2).

<sup>20</sup> *Galloway Iraq appeal cleared of impropriety over funds*, *The Scotsman*, June 29, 2004.

<sup>21</sup> *Globetrotter’s 14 trips paid for by appeal*, *The Times*, Apr. 23, 2003.

<sup>22</sup> *Id.*

<sup>23</sup> Lloyds Bank Authority for Societies, Clubs and Associations. (Ex. 3). A review of the canceled checks from the account at Lloyds indicates that other persons, including R. Gordon West, Sabah Al-Mukhtar, and James McGowan, were authorized signatories at other points in time.

<sup>24</sup> NABD bank statements and wire transfer record for Mariam Appeal account.

<sup>25</sup> Minutes of the Mariam Appeal (Apr. 14, 1999) (Ex. 4); Resolution of the committee of the Mariam Appeal (Apr. 14, 1999). (Ex. 5). A review of the canceled checks from the account at NABD indicates that at least one other person, James McGowan, was an authorized signatory at one point in time.

deposit from “one of our clients” (£33,475.21).<sup>26</sup> Galloway identified the Saudi Arabian donor as Crown Prince Abdullah bin Abdulaziz al-Saud.<sup>27</sup>

Both Galloway’s wife, Dr. Aminah Abu-Zayyad, and his friend, Fawaz Zureikat, were active in the Mariam Appeal. Dr. Abu-Zayyad served as an officer of the Mariam Appeal and was an active participant in Mariam Hamza’s medical care.<sup>28</sup> Dr. Abu-Zayyad was compensated by the Appeal with an annual salary of £25,000 and had expenses reimbursed from the Appeal’s bank accounts.<sup>29</sup> Zureikat was involved in organizing certain activities for the Mariam Appeal and, as detailed above, was one of its largest “donors.”

#### C. Fawaz Zureikat and Middle East Advanced Semiconductor, Inc.

Fawaz Zureikat is a Jordanian businessman and long-time confidante of Galloway. In fact, Galloway confirmed at the Subcommittee’s hearing that he was the best man at Zureikat’s wedding. Zureikat is the President of Middle East Advanced Semiconductors Inc. (“MEASI”). As presented below, Zureikat was a central figure in the acquisition and sale of oil that was allocated to Galloway and the Mariam Appeal. In particular, Zureikat’s company MEASI signed the contracts related to five allocations that this Report links to Galloway. In connection with one of those oil transactions, Zureikat transferred \$150,000 to Galloway’s wife. Zureikat also transferred at least \$446,000 of Oil-for-Food-related funds to Galloway’s political campaign, the Mariam Appeal. Zureikat also paid to the Hussein regime more than \$1.6 million in under-the-table surcharge payments in direct violation of U.N. sanctions.<sup>30</sup>

#### D. Deputy Prime Minister Tariq Aziz

Tariq Aziz, the former Deputy Prime Minister of Iraq, was at the center of Galloway’s efforts to raise funds for the Mariam Appeal. In his interviews with the Subcommittee, Aziz recalled that he first met Galloway when he traveled to Iraq with a Greek delegation after having attended a conference in Athens in 1992 or 1993.<sup>31</sup> Aziz stated that matters regarding Galloway fell within his “area of responsibility” since Galloway was a foreign politician friendly to Iraq. Aziz recalled that Galloway began to travel regularly to Iraq starting in May 1999 when Aziz formed the “Baghdad Conference,” an organization that met twice a year in Baghdad to show solidarity with Iraq.<sup>32</sup> Aziz could not recall the total number of visits that Galloway made, but stated that he would meet with Galloway whenever he was in Iraq. Aziz stated that Galloway would sometimes visit by himself and sometimes he would be accompanied by his wife. Aziz indicated that he would invite Galloway and his wife to dinner when they were in Iraq. He stated that Galloway would sometimes be accompanied by Fawaz Zureikat, who was a “good friend” of Galloway’s. Aziz described Galloway as a “personal friend” and a friend of Iraq. Aziz stated that, during their meetings, Aziz and Galloway would discuss politics, the “mood and climate” of the British government, and what Galloway “ha[d] done for Iraq.” Aziz stated that Galloway “sometimes ask[ed] for funding for his causes” during these meetings.<sup>33</sup>

Aziz was interviewed by the Subcommittee concerning the Hussein regime’s interactions with Galloway. His interview provided a detailed account of the allocations granted to Galloway and the Mariam Appeal. In short, Aziz described how Galloway solicited financial support from

<sup>26</sup> Lloyds TSB bank statements for Mariam Appeal account; NBAD bank statements for Mariam Appeal account.

<sup>27</sup> Witness Statement of George Galloway in Telegraph Lawsuit, at ¶ 14. (Ex. 2).

<sup>28</sup> The Subcommittee contacted Dr. Abu-Zayyad through her representative Sabah Al-Mukhtar. Dr. Abu-Zayyad declined a request to be interviewed, but expressed a willingness to respond to written questions. Interrogatories were sent to Dr. Abu-Zayyad on October 18, 2005. On Monday, October 24, 2005, the Subcommittee received an email response from Dr. Abu Zayyad, through her representative Mr. Al-Mukhtar. In that message, Dr. Abu Zayyad stated: “I have never solicited or received from Iraq or anyone else any proceeds of any oil deals, either for myself or for my former husband.” See Appendix B.

<sup>29</sup> Letter from Charity Commission for England and Wales to firm of Davenport Lyons (Feb. 18, 2004); Lloyds TSB bank statements for Mariam Appeal account; NBAD bank statements for Mariam Appeal account.

<sup>30</sup> The Subcommittee made repeated attempts to contact Mr. Zureikat to conduct an interview regarding the findings made in this Report. In particular, the Subcommittee transmitted its request for an interview through U.S. mail, facsimile, electronic mail, FedEx and telephone. Mr. Zureikat responded to none of these requests. See Appendix B.

<sup>31</sup> Galloway has stated that his first visit to Iraq was in 1993. Witness Statement of George Galloway in Telegraph Lawsuit, at ¶ 32. (Ex. 2).

<sup>32</sup> *Russian Delegation Arrives in Baghdad*, RIA Novosti, Oct. 14, 2004.

<sup>33</sup> Tariq Aziz interview (July 7, 2005); Taha Yasin Ramadan interview (Sept. 27, 2005).



the Hussein regime for the Mariam Appeal, and how the regime provided the requested support by granting lucrative oil allocations to Galloway to be executed by Zureikat.

#### IV. EVIDENCE OF THE SOLICITATION AND EXECUTION OF OIL ALLOCATIONS GRANTED TO GALLOWAY AND THE RESULTING PAYMENTS

##### A. Summary of Evidence

The Subcommittee has obtained extensive evidence establishing that Galloway personally solicited and received lucrative oil allocations from the Hussein regime under the Oil-for-Food Program. That evidence includes (1) banking records obtained from at least five international financial institutions, (2) documents created by senior Iraqi officials and the Iraqi Ministry of Oil during the reign of Saddam Hussein, (3) documents created by the Iraqi Ministry of Oil after the fall of Saddam Hussein, (4) interviews with senior officials of the Hussein regime that were conducted by the Subcommittee, (5) interviews of Hussein regime officials conducted by the U.S. Treasury Iraqi Financial Asset Team, and (6) interviews of experienced oil traders who were heavily involved in the purchase of Iraqi crude oil under the Program.

As presented below, the evidence obtained by the Subcommittee establishes that Galloway solicited financial assistance from Iraq to fund his political campaign, the Mariam Appeal. The evidence will show, however, that Galloway was concerned about the appearance of Iraq giving him money. Aziz confirmed that the Hussein regime supported Galloway's efforts "indirectly" – *i.e.*, through oil allocations and through Oil-for-Food contracts for humanitarian goods.<sup>34</sup>

Senior members of the Hussein regime confirmed to the Subcommittee that Galloway and his political campaign were granted oil allocations under the Program. For instance, the Vice President of Iraq, Taha Yasin Ramadan, told the Subcommittee that Galloway had been granted oil allocations "because of his opinions about Iraq" and because Galloway "want[ed] to lift the embargo against Iraq."<sup>35</sup> Ramadan, who was in charge of the committee that distributed oil allocations, also stated that Galloway "always spoke out against the sanctions" and Iraq wanted to give him money so that he would continue to do so. According to Ramadan, Galloway was a "friend of Iraq" and "needed to be compensated for his support." In short, "Galloway needed money to pay for his actions" and "we gave him oil to sell to make the money."<sup>36</sup> Iraqi Minister of Oil Amer Rashid also confirmed that Galloway had been granted oil allocations:

**Q: Did the Iraqis grant any oil allocations to George Galloway, the member of the British Parliament?"**

**A: Yes.**<sup>37</sup>

The evidence will show that allocations to Galloway were made in the names of others in accordance with Galloway's request that neither he nor his wife's name be mentioned in connection with any commercial transaction.<sup>38</sup> Senior Hussein regime officials made clear that Galloway's allocations appeared under the names of Burhan Al-Chalabi and Fawaz Zureikat, two of Galloway's agents. For instance, Aziz stated:

**The oil allocations we gave to George Galloway were in the name of either Chalabi, maybe one or two allocations, or to Zureikat.**<sup>39</sup>

At another point in the interview, Aziz reiterated that the Hussein regime had granted allocations in the name of Chalabi and Zureikat for the benefit of Galloway and his political campaign:

<sup>34</sup> Tariq Aziz interview (July 7, 2005).

<sup>35</sup> Taha Yasin Ramadan interview (Apr. 18, 2005).

<sup>36</sup> Taha Yasin Ramadan interview (Sept. 27, 2005).

<sup>37</sup> Amer Rashid interview. (Apr. 14, 2005).

<sup>38</sup> Tariq Aziz interview (July 7, 2005); IIS Letter. (Ex. 6).

<sup>39</sup> Tariq Aziz interview (July 7, 2005).

**Q: Was oil ever allocated to another person or entity for the benefit of Mr. Galloway?**

**A: The oil was allocated in the name of Zureikat and Chalabi, once or twice. These oil allocations were for the benefit of George Galloway and for Miriam's Appeal. The proceeds from the sale benefited the cause and Mr. Galloway.<sup>40</sup>**

Similarly, Vice President Ramadan also confirmed that Galloway's allocations were granted in the name of Zureikat's company.<sup>41</sup> The Iraqi Minister of Oil identified Zureikat as "the oil lifter" for Galloway.<sup>42</sup>

In total, the Hussein regime granted Galloway and the Mariam Appeal eight allocations totaling 23 million barrels of oil from 1999 through 2003.<sup>43</sup> The monetization of these oil allocations followed a basic pattern:

1. The Hussein regime would award an allocation of oil in the name of Fawaz Zureikat or Burhan Al-Chalabi<sup>44</sup> for the benefit of Galloway and/or the Mariam Appeal;
2. A company (typically Zureikat's company, Middle East Advanced Semiconductors, Inc.) would execute an oil purchase contract with the Iraqi State Oil Marketing Organization (SOMO) in an amount equal to the amount of oil allocated to Galloway and the Mariam Appeal;
3. Swiss oil trading company Taurus Petroleum Ltd. would purchase the oil under the pertinent contract, and in connection with that purchase, Taurus would transfer a sizeable commission payment to Zureikat;
4. Zureikat would forward a substantial portion of the commission to the Mariam Appeal and, in one transaction, approximately \$150,000 to Galloway's wife, Dr. Amineh Abu-Zayyad; and
5. Zureikat would also pay improper under-the-table surcharges to the Hussein regime.

The following table summarizes the eight allocations granted to Galloway and the Mariam Appeal, as well as the oil purchase transactions that resulted from those allocations:

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<sup>40</sup> *Id.*

<sup>41</sup> Taha Yasin Ramadan interview (Sept. 27, 2005).

<sup>42</sup> Amer Rashid interview. (May 16, 2005).

<sup>43</sup> In the Subcommittee's previous report concerning oil allocations granted to Galloway, the Subcommittee presented evidence that Galloway received oil allocations for 20 million barrels of oil. Since the publication of that report, the Subcommittee has obtained additional evidence concerning the allocations granted to Galloway, including evidence that the Phase VII allocation in the name of Burhan Al-Chalabi was for the benefit of Galloway.

<sup>44</sup> The Subcommittee made repeated attempts to contact Dr. Chalabi to conduct an interview regarding the findings made in this Report. In particular, the Subcommittee transmitted its request for an interview to Dr. Chalabi through U.S. mail, Federal Express and multiple telephone messages. Dr. Chalabi responded to none of these requests. See Appendix B.

TABLE OF ALLOCATIONS GRANTED FOR THE BENEFIT OF GALLOWAY AND THE MARIAM APPEAL UNDER THE OIL-FOR-FOOD PROGRAM						
PHASE	CONTRACT NUMBER	ALLOCATION VOLUME (MILLION BARRELS)	NOMINAL ALLOCATION RECIPIENT	CONTRACTING ENTITY	PAYMENT TO GALLOWAY'S WIFE AND/OR MARIAM APPEAL	SURCHARGES PAID
VII	M/07/83	4	Burhan Al-Chalabi	Fortum Oil & Gas – OY	Unknown	(Before Surcharge Period)
VIII	M/08/35	4	Fawaz Zureikat	Aredio Petroleum	\$150,000 to Galloway's Wife \$340,000 to Mariam Appeal	\$264,505.00
IX	M/09/23	1	Fawaz Zureikat	Aredio Petroleum	Unknown	\$304,320.90
IX	M/09/118	2	Fawaz Zureikat	MEASI	\$30,000 to Mariam Appeal	\$247,352.50
X	M/10/38	3	Fawaz Zureikat	MEASI	£38,225.87 (approximately \$56,000) to Mariam Appeal	\$825,822.25
XI	M/11/04	3	Fawaz Zureikat	MEASI	\$20,000 to Mariam Appeal	Unknown
XII	M/12/14	3	Fawaz Zureikat	MEASI	Unknown	Unknown
XIII	M/13/48	3	Fawaz Zureikat	MEASI	Unknown	(After Surcharge Period)
<b>Totals</b>	<b>23 Million Barrels</b>			<b>At least \$150,000 to Galloway's Wife At least \$446,000 to Mariam Appeal</b>		<b>\$1,642,000.65</b>

#### B. September 1999: The "Big Ben to Baghdad" Bus Tour

The starting point concerning Galloway's allocations is September 1999. On September 6, 1999, Galloway and a delegation left London in a red double-decker bus on the "Big Ben to Baghdad" tour, which would ultimately travel through France, Spain, Morocco, Algeria, Tunisia, Libya, Egypt, and Jordan before reaching Iraq two months later. According to Galloway, the delegation consisted of "an eclectic bunch of labour activists, ex-student radicals, musicians, bus-drivers, vegetarians – and a professional pall-bearer." The bus tour was funded by "the ruler of the UAE, Sheikh Zayed."<sup>45</sup> On October 12, 1999, the Iraqi Presidential Council tasked Tariq Aziz to greet the "solidarity bus" upon its arrival in Baghdad. Aziz was directed to organize a greeting party composed of the Office of Foreign Relations, the Organization of Friendship, Peace, and Solidarity, the Iraq Red Crescent Society, and several other organizations.<sup>46</sup> The bus tour reached Iraq on November 6, 1999, and Galloway met with Tariq Aziz the following day. On November 8-9, Galloway addressed the National Assembly of Iraq, as well as a rally in Baghdad, and took a bus tour of the Karkh area of Baghdad. Two days later, on November 11, Galloway met with Tariq Aziz for a second time and met with Minister of Foreign Affairs Muhammed Saeed al-Sahaf.<sup>47</sup> Galloway's meetings with Aziz during this particular visit to Iraq are significant because, as explained below, it was likely during those meetings that Galloway first solicited financial assistance from Iraq to fund his political activities.

<sup>45</sup> Witness Statement of George Galloway in Telegraph Lawsuit, at ¶ 55. (Ex. 2).

<sup>46</sup> Letter from Presidential Council to Tariq Aziz (Oct. 12, 1999). It appears as though the idea of a large gathering to greet the bus upon its arrival originated with Galloway. Telegram from London office of Ministry of Foreign Affairs (Oct. 11, 1999).

<sup>47</sup> BBC Summary of World Broadcasts, Nov. 15, 1999; BBC Worldwide Monitoring, Nov. 6, 1999; BBC Summary of World Broadcasts, Nov. 9, 1999; BBC Summary of World Broadcasts, Nov. 10, 1999; BBC Summary of World Broadcasts, Nov. 11, 1999; BBC Summary of World Broadcasts, Nov. 13, 1999.

### C. November 1999: Galloway Personally Solicits Oil Allocations from the Hussein Regime

Tariq Aziz could not recall the exact date on which Galloway first requested financial support for his activities. Aziz did recall that the request occurred during one of Galloway's trips to Iraq for which Aziz had arranged a large gathering to greet him upon his arrival. As detailed above, Aziz had indeed organized a large gathering of officials to greet Galloway upon the arrival of the "Big Ben to Baghdad" bus tour, which arrived in Iraq on November 6, 1999 after having traveled through several countries in Europe and the Middle East. Aziz recalled that Galloway requested the Iraqi government to provide financial support for the Mariam Appeal in order to defray the expenses associated with conducting the campaign. Aziz recalls that Galloway informed him that he had also requested financial support from the governments of the other countries through which his procession had passed on the way to Iraq.<sup>48</sup> Aziz's recollection that Galloway had mentioned efforts to raise funds from other countries through which his "procession" traveled suggests that Aziz was referring to the bus tour.

Aziz explained that Iraq granted Galloway oil allocations for the purpose of funding his activities with the Mariam Appeal. Aziz's recollection was that Galloway was allocated about three million barrels of oil for each phase of the Program. The allocations were granted in the name of either Fawaz Zureikat or, on one or two occasions, to Burhan Chalabi, a second person who acted on Galloway's behalf. According to Aziz, Zureikat (or Chalabi) would sign the necessary contracts to complete the transaction, and the profits would be sent to the Mariam's Appeal. Aziz estimated that the profit margin was between 10-15 cents per barrel. At some later point, Galloway asked Aziz to raise his oil allocation because he needed to raise more money for his activities. Aziz recalled that Galloway's oil allocation may have been raised, but not by very much.<sup>49</sup>

### D. Late November 1999: Galloway Has Detailed Discussion with an Oil Trader in Baghdad

As noted above, the discussions between Tariq Aziz and Galloway concerning Iraqi financial support for the Mariam Appeal occurred in November 1999, after Galloway's arrival in Iraq on the Big Ben to Baghdad bus tour. Around the same time that Galloway had a discussion with Aziz, he also engaged in a detailed conversation with an oil trader about oil allocations. The oil trader in question, who will be called "Oil Trader #1" throughout this Report, was interviewed at length by the Subcommittee about his conversation with Galloway.<sup>50</sup>

Oil Trader #1 informed the Subcommittee that, at the time of their conversation in late 1999, it was clear that Galloway either had already been awarded an allocation of oil, or was going to receive one in the immediate future, saying: "[Galloway] had something in hand – he was going to have or already had it."<sup>51</sup> Oil Trader #1 also stated that he and Galloway engaged in an in-depth discussion about the "modus operandi" of how oil allocations were turned into money. Oil Trader #1 emphasized to the Subcommittee that, toward the end of their conversation, "[Galloway] told me that, if he were to obtain an oil allocation, he would contact us directly or indirectly." Oil Trader #1 also advised Galloway to request from Aziz "the highest amount of allocation." A complete account of the conversation between Oil Trader #1 and Galloway is presented in Appendix D to this Report.

### E. December 1999–June 2000: Galloway is Awarded an Oil Allocation and Requests More Assistance

According to documents obtained by the Subcommittee, on December 26, 1999, a meeting took place between Galloway, Zureikat, and an unnamed officer of the Iraqi Intelligence

<sup>48</sup> Tariq Aziz interview (July 7, 2005).

<sup>49</sup> Tariq Aziz interview (July 7, 2005); Taha Yasin Ramadan interview (Sept. 27, 2005).

<sup>50</sup> Oil Trader #1 requested confidential treatment of his identity because he feared retaliation, including serious bodily harm, for his cooperation with the Subcommittee's investigation. In light of the genuine and reasonable concern for his safety, the Subcommittee staff has elected to honor his request and keep his identity confidential. In doing so, it should be noted that the use of confidential sources and informants is well-rooted in the Subcommittee's history. See, e.g., S. Hrg. "Medicare Fraud Prevention: Improving the Medicare Enrollment Process" (Jan. 29, 1998); S. Hrg. "The Safety of Food Imports (Part 3): Fraud & Deception in the Food Import Process" (Sept. 10, 1998); S. Hrg. "Federal Government Security Clearance Programs" (April 16-25, 1985).

<sup>51</sup> When asked what he meant by the word "it," Oil Trader #1 confirmed that he was referring to an allocation of Iraqi crude oil.

Service (IIS).<sup>52</sup> The details of the meeting were documented in a letter dated January 3, 2000, written by the head of the IIS and addressed to the Iraqi President's Office ("IIS Letter").<sup>53</sup> The IIS Letter and a series of documents attached to it were discovered in the abandoned Iraqi Ministry of Foreign Affairs shortly after the commencement of Operation Iraqi Freedom.<sup>54</sup> According to the IIS Letter, Galloway explained at that meeting that his campaign against U.N. sanctions required funding and that special arrangements should be made on his behalf under the auspices of the Oil-for-Food Program. Specifically, Galloway requested an increase in the volume of his oil allocation and special access rights to contracts for humanitarian goods.

#### 1. Tariq Aziz Authenticates the IIS Letter

Tariq Aziz was shown the IIS Letter during his interview. Aziz stated that he recognized the IIS Letter and recalled seeing it in the past.<sup>55</sup> Aziz stated that he was familiar with the IIS Letter because he had been responsible for supervising Galloway's affairs. Aziz also confirmed that the format of the IIS Letter was the same format that had been used by the IIS. The IIS Letter describes Galloway's intention to organize a series of events to support the "Iraqi position." It stated that Galloway planned to arrange visits for Iraqi sports and arts delegations to Britain, to "start broadcasting programs for the benefit of Iraq," to "locate Iraq On Line for the benefit of Iraq on the internet," and to "mobilize British personalities to support the Iraqi position." These plans, however, needed "great" and "continuous" financial support from Iraq. The IIS Letter states that Galloway explained that the financial support given by Sheikh Zayid "is limited and volatile because it depends on his personal temper and the economic and political changes."<sup>56</sup> Aziz confirmed to the Subcommittee that Sheikh Zayid was a supporter of many Arab and humanitarian causes, and that he had supported the Mariam Appeal through Galloway.<sup>57</sup>

#### THE DISCOVERY OF THE IIS LETTER AND OTHER DOCUMENTS AT THE MINISTRY OF FOREIGN AFFAIRS:

On Saturday, April 19, 2003, David Blair, a foreign correspondent for *The Daily Telegraph*, was in Baghdad reporting on the post-war situation. Blair, accompanied by an interpreter, entered the abandoned Ministry of Foreign Affairs with the hope of finding documents relating to British Prime Minister Tony Blair. After some initial exploration, Blair discovered a room filled with filing boxes stacked on the floor and on metal shelves. Blair estimated that there were over 200 such boxes in the room. Each box was marked with a small label written in Arabic. Blair's translator went through the boxes and read the labels aloud. Many of the boxes were labeled by country, and eventually the translator came across two boxes labeled "Britain" and one box labeled "Britain and France." Blair and his translator took the three boxes and a few loose binders and returned to Blair's hotel room. In those boxes Blair and his translator eventually discovered the IIS Letter and several other key documents that are discussed in this Report.

The IIS Letter notes that Galloway had already obtained an allocation of three million barrels per phase through Tariq Aziz. According to the IIS Letter, Galloway had also obtained "a limited number of food contracts with the Ministry of Trade," but that the percentage of profit on those contracts was only one percent. For those reasons, according to the IIS Letter, Galloway requested that his "share of oil" be increased.

The IIS Letter also indicates that Galloway requested to be granted "exceptional and contractual facilities ... with the Ministry of Trade, the Ministry of Transport and Communications, the Ministry of Industry and the Electricity Commission." The effort to solicit contracts for humanitarian goods, as detailed in the IIS Letter, appears to have been successful. Indeed, Zureikat's company, Middle East Advanced Semiconductors, Inc. was awarded at least seven contracts for humanitarian goods worth over \$22 million. The contracts were for goods such as milk, detergent, toilet soap, and vegetable ghee.<sup>58</sup> This evidence is corroborative of

<sup>52</sup> It is unclear whether either Galloway or Zureikat knew at the time that the person they were meeting with was an IIS officer.

<sup>53</sup> Letter from Chief of the Iraqi Intelligence Service to the President's Office (Jan. 3, 2000) (Ex. 6); The head of the IIS in January 2000 was Tahir Jalil Habbush al-Tikriti. Tariq Aziz interview (July 7, 2005); Taha Yasin Ramadan interview (Sept. 27, 2005).

<sup>54</sup> First Witness Statement of David Joseph Blair from the Telegraph Lawsuit for a full description of the circumstances surrounding the discovery of the documents. (Ex. 7). See Appendix C for an explanation of the differences between the documents discovered in the Ministry of Foreign Affairs and the documents published by *The Christian Science Monitor* on April 25, 2003, which proved to be forgeries.

<sup>55</sup> Tariq Aziz interview (July 7, 2005).

<sup>56</sup> IIS letter. (Ex. 6).

<sup>57</sup> Tariq Aziz interview (July 7, 2005).

<sup>58</sup> Table 6 "Humanitarian Goods and Oil Spares Purchases By Vendor and Goods Category For Central & Southern Regions of Iraq," published by the IIC (Oct. 21, 2004), p. 92.

Aziz's recollection that Zureikat received contracts under the Program to import certain humanitarian goods, such as milk.<sup>59</sup> Most importantly, all of the contracts executed by Zureikat's company were awarded after the requests by Galloway were made to the IIS officer (as detailed in the IIS Letter) and after the Committee of Four recommended that the requests be granted.<sup>60</sup> Notably, prior to Phase IX, Zureikat's company had been awarded no contracts by Iraq under the Oil-for-Food Program.

The IIS Letter recommends that Galloway's requests be granted, but notes that all such efforts should be coordinated with Tariq Aziz.<sup>61</sup>

## **2. Galloway Names Zureikat as His "Representative in Baghdad"**

The IIS Letter had three attachments, one of which was a letter written on Galloway's House of Commons letterhead. The letter, addressed "To Whom It May Concern," named Zureikat as Galloway's "representative in Baghdad on all matters concerning my work with the 'Mariam Appeal' or the Emergency Committee in Iraq." Galloway further stated in that letter that "it would be appreciated if all co-operation could be extended to him [Zureikat] in his dealings on my behalf" and that "Save for any written permissions from me, no other person should be entertained as acting on my behalf in any circumstances." Galloway signed the letter as the Chairman of the Mariam Appeal and as the Organizer of the Emergency Committee on Iraq.<sup>62</sup> Galloway has confirmed the authenticity of the "To Whom It May Concern" letter and that he had appointed Zureikat as his representative in Baghdad on all matters related to the Mariam Appeal.<sup>63</sup>

Aziz was not sure whether or not he had received or reviewed the "To Whom It May Concern" letter, but was "well aware" that Zureikat was Galloway's representative in Iraq. Aziz knew that Galloway and Zureikat were good friends, and stated that it was natural that Galloway would choose a good businessman to represent him in Iraq. Aziz stated that Galloway, because he was a well-known political figure in Britain, could not run a business in Iraq. Vice President Ramadan also stated that Zureikat was "the person who handled Galloway's business for him here in Iraq."<sup>64</sup>

The other two attachments to the IIS Letter were two "information cards" identifying Zureikat and Chalabi. The first "information card" described Zureikat, his background, and his commercial interests in Iraq and Jordan. The card identified Zureikat as being from a Ba'athist family in Jordan and as the proprietor of the "Middle East for Semi Conductors Company."<sup>65</sup> The second "information card" related to Dr. Burhan Mahmoud Chalabi, who was identified by Galloway in the IIS Letter as being involved in Galloway's activities. Specifically, Galloway indicated that he had entered into a partnership with Chalabi to sign for his oil contracts, and noted that Chalabi had experience in oil trading and had made "financial contribution to campaigns that were organized in Britain for the benefit of the country ..." The information card identifies Chalabi as a British businessman of Iraqi origin.<sup>66</sup> Chalabi plays a significant role in Galloway's allocation in Phase VII, which is discussed in detail below.

## **3. Galloway Asks that Neither His Nor His Wife's Name Be Mentioned in Connection with the Oil Allocations or Other Commercial Transactions**

According to Tariq Aziz, Galloway was concerned about the appearance of taking money directly from the Iraqi government.<sup>67</sup> Galloway specifically expressed that concern to Aziz. When asked why Galloway was concerned about receiving money directly from Iraq, Aziz answered that it was because Galloway was a "well-known politician" and therefore did not want

<sup>59</sup> Tariq Aziz interview (July 7, 2005).

<sup>60</sup> Table 4 "Humanitarian Goods and Oil Spares Purchases by Vendor & Vendor Country per Phase for Central & Southern Regions of Iraq (Sorted by Vendor)," published by the IIC (Oct. 21, 2004), p. 32.

<sup>61</sup> IIS letter. (Ex. 6).

<sup>62</sup> Letter from Galloway to "To Whom It May Concern" (undated). (Ex. 8).

<sup>63</sup> Galloway's response to Subcommittee's interrogatories. (Ex. 1).

<sup>64</sup> Tariq Aziz interview (July 7, 2005); Taha Yasin Ramadan interview (Sept. 27, 2005).

<sup>65</sup> "Appendix No. 1" to IIS letter, entitled "Information Card of the Jordanian Fawaz Abdullah Zureikat." (Ex. 9).

<sup>66</sup> IIS letter. (Ex. 6); "Appendix No. 2" to IIS letter, entitled "Information Card of Dr. Burhan Mahmoud Al-Chalabi, the British Citizen of Iraqi Origin." (Ex. 10).

<sup>67</sup> Tariq Aziz interview (July 5, 2005).

either his or his wife's name mentioned. If Galloway's name was made public for taking money from Iraq, then there would have been problems for him politically.<sup>68</sup>

Galloway's concern regarding his or his wife's name being connected to money received directly from Iraq is reflected in the IIS Letter. The IIS Letter states that "... because of the sensitivity of getting money directly from Iraq it is necessary to grant him oil contracts and special and exceptional commercial opportunities to provide him with a financial income under commercial cover without being connected to him directly."<sup>69</sup> The IIS Letter also notes that Galloway, in his "To Whom It May Concern" letter, specifically omits any reference to the "commercial side of the authorization" granted to Zureikat "for reasons concerning his personal security and political future and not to give an opportunity to enemies of Iraq to obstruct the future projects he intended to carry out."<sup>70</sup>

According to Aziz, the solution to the problem of funding Galloway's efforts without evidence of direct transfers of money was to support Galloway "indirectly" by giving him oil. Aziz noted that others, such as Sheikh Zayid, were able to finance Galloway directly with money, while the Iraqi government could finance him only indirectly with oil.<sup>71</sup>

Despite Galloway's efforts to keep his and his wife's name from appearing in the transactions involving oil allocations, Galloway's name, as described below, appears on several Hussein regime documents recovered from the Iraqi State Oil Marketing Organization (SOMO). As noted later in this Report, those documents have been authenticated by the Hussein-era Minister of Oil, Amer Rashid.<sup>72</sup>

#### **4. May 2000: The "Committee of Four" Reviews the IIS Letter and Recommends to Saddam Hussein that Galloway's Requests be Approved**

Separate and apart from the regular Oil-for-Food committee that managed the operations of the Oil-for-Food Program was a special committee formed by Hussein. The special committee, known as the "Committee of Four," was composed of four senior Iraqi officials – Izzat Ibrahim, the Vice Chairman of the Revolutionary Command Council; Taha Yasin Ramadan, Vice President; Tariq Aziz, Deputy Prime Minister; and Ali Hasan al-Majid, Presidential Advisor. According to Ramadan, the Committee of Four was formed by Hussein to act as a "skeleton government" in the event of an emergency or when the entire cabinet could not be formed. Regular meetings of the Committee were held at Izzat Ibrahim's office at the Adnan Palace in Baghdad. The Committee expressed its opinions on matters referred to it by Hussein through his secretary, Dr. Abdid Hamid.<sup>73</sup>

By letter dated May 2, 2000, the Abdid Hamid forwarded the IIS Letter to the Committee of Four to be studied.<sup>74</sup> According to Aziz, the Committee met and discussed the IIS Letter as instructed.<sup>75</sup> The result of the meeting of the Committee of Four was a two-page reply letter to the President's Office from the Committee under Izzat Ibrahim's signature.<sup>76</sup> The letter, dated May 6, 2000 under the subject heading "Mariam Campaign," informed Saddam Hussein that the Committee had studied the IIS Letter and (1) recommended continued cooperation with Galloway in connection with oil contracts and other commercial contracts, (2) advised against engaging the IIS (the "Mukhabarat") in the relationship with Galloway since he is a "well known

<sup>68</sup> *Id.*

<sup>69</sup> IIS letter, ¶ 1(b). (Ex. 6).

<sup>70</sup> IIS letter, ¶ 2(a). (Ex. 6).

<sup>71</sup> Tariq Aziz interview (July 7, 2005).

<sup>72</sup> For instance, Rashid authenticated a letter from SOMO to him indicating that allocation for Contract M/09/23 had been granted to Galloway and the Mariam Appeal. See Letter from Saddam Zeben Hassan to H.E. the Oil Minister (January 15, 2001). Rashid also authenticated a SOMO letter to him indicating that the allocation for Contract M/11/04 had been granted to Galloway. See Letter from Ali Rajab Hassan to H.E. Oil Minister (Dec. 19, 2001). In addition, Rashid authenticated a SOMO letter to him indicating that the allocation for Contract M/12/14 had been awarded to Galloway. See Letter from Ali Rajab Hassan to the Oil Minister (June 4, 2002). Each of these letters is analyzed in detail in Section IV below.

<sup>73</sup> Tariq Aziz interview (July 7, 2005); Taha Yasin Ramadan interview (Sept. 27, 2005); Ali Hasan al-Majid referred to the committee as the "Group of Four." Ali Hasan interview (Oct. 6, 2005).

<sup>74</sup> Letter from the President's Office to Ibrahim, Ramadan, Aziz, and Al-Majid (May 2, 2000). (Ex. 11).

<sup>75</sup> Tariq Aziz interview (July 7, 2005).

<sup>76</sup> Letter from Izzat Ibrahim to the President's Office (May 6, 2000). (Ex. 12).

politician” and the discovery of a relationship with the IIS “would damage him very much,” and (3) stated that the Ministry of Foreign Affairs must in the future cooperate with Aziz on matters relating to people and organizations that request financial support from Iraq in return for initiatives to support the Iraqi position. Aziz confirmed that the three recommendations in the Ibrahim letter accurately reflect the conclusions of the Committee. When asked whether he personally agreed with the recommendations, Aziz responded that he was the person who had made the recommendations, so “of course” he agreed with them.<sup>77</sup>

Although Vice President Ramadan could not recall whether he had seen this two-page letter, he confirmed that the facts stated in the document were indeed true. For instance, he recalled that the Committee recommended that the IIS stay out of Galloway’s business. Ramadan also confirmed that Aziz nominated Galloway to receive oil allocations and that Galloway was allocated three million barrels for each phase of the Program. Since the U.N. did not allow oil to be allocated to an individual, according to Ramadan, Iraq allocated the oil to Zureikat’s company. Although Ramadan had never met or spoken to Galloway, he knew of him because of Galloway’s trips to Iraq. Ramadan stated that Galloway “always spoke out against the sanctions” and Iraq wanted to give him money so that he would continue to do so. According to Ramadan, Galloway was a “friend of Iraq” and “needed to be compensated for his support.” In short, “Galloway needed money to pay for his actions” and “we gave him oil to sell to make the money.”<sup>78</sup>

Ali Hasan al-Majid stated that the two-page letter from Izzat Ibrahim listing the Committee’s recommendations about Galloway was “genuine without a doubt.” Although Hasan did not attend that particular meeting of the Committee, his recollection is that the Minister of the Exterior attended that meeting and briefed Ibrahim about the issues relating to Galloway. Hasan’s understanding is that the Committee discussed Galloway’s request for funds as well as the obstacles that the Iraqi leadership had in meeting Galloway’s request.<sup>79</sup>

#### **F. SOMO Documents Corroborate Phase VII Allocation to Galloway**

The documents presented above – along with the testimony of Tariq Aziz, Taha Yasin Ramadan, and Ali Hasan al-Majid – indicate that (i) Galloway sought and was awarded an allocation of three million barrels of oil in December 1999 for Phase VII of the Program, (ii) that allocation was granted in the name of either Chalabi or Zureikat, (iii) that, in early 2000, Galloway requested an increase in his allocation, and (iv) that the Hussein regime granted Galloway’s request and increased his allocation by a small amount. Those facts are thoroughly corroborated by a series of SOMO documents that were obtained by the Subcommittee. The SOMO documents, which include internal charts and correspondence, are examined below.

##### **1. Galloway Awarded Allocation of Three Million Barrels in the Name of Chalabi**

On December 13, 1999, SOMO prepared a table reflecting the allocations that had been granted in the previous two phases of the Program and the anticipated allocations for the upcoming period, Phase VII.<sup>80</sup> That chart was initially presented in the IIC Report as part of the IIC’s evidence that U.N. senior official Benon Sevan had been granted oil allocations.<sup>81</sup> Like the entry for Benon Sevan, the chart includes an allocation of three million barrels of oil granted in the name of Burhan Al-Chalabi.

This allocation ultimately resulted in an oil contract. On December 29, 1999, SOMO executed Contract M/07/83 with a Finnish company called Fortum Oil and Gas-OY for three million barrels of oil in Phase VII of the Program.<sup>82</sup> In keeping with its procedures, SOMO Executive Director Saddam Zebe Hassan wrote to the Minister of Oil requesting his approval of Contract M/07/83.<sup>83</sup> SOMO’s letter indicates that the oil for this contract had been allocated in

<sup>77</sup> Tariq Aziz interview (July 7, 2005).

<sup>78</sup> Taha Yasin Ramadan interview (Sept. 27, 2005).

<sup>79</sup> Ali Hasan interview (Oct. 6, 2005).

<sup>80</sup> Statement of Allocations in the Phase Subsequent to Phase Six (Special Requests) (Dec. 13, 1999) (excerpt). (Ex. 13).

<sup>81</sup> IIC Report at 142–143 (presenting and analyzing Ministry of Oil table dated December 13, 1999).

<sup>82</sup> SOMO Crude Oil Sales Contract No. M/07/83. (Ex. 14). Because oil contracts under the Oil-for-Food Program contain standard language, the Subcommittee has included the entire contract for M/07/83, but will include only the cover and signature pages of subsequent contracts.

<sup>83</sup> Letter from Saddam Zebe Hassan to The Minister of Oil (Dec. 31, 1999). (Ex. 15).



Chalabi's name, by describing the "Name of Company Buyer" as "Fortum Oil and Gas-OY (Burhan Al-Chalabi)." Subsequent SOMO documents make clear that this allocation, while nominally awarded to Chalabi, was actually granted to Galloway.

## 2. Galloway Asks for and Receives an Increase in His Oil Allocation

The evidence obtained by the Subcommittee indicates that Galloway asked for an increase in the volume of his oil allocations in December 1999.<sup>84</sup> That request was granted, and as recalled by Tariq Aziz, Galloway's allocation was increased slightly, "but not very much."<sup>85</sup> In fact, the evidence obtained by the Subcommittee indicates that Galloway's allocation was raised by only one million barrels. This increase – and the connection of this allocation to Galloway – is reflected in a table compiled by SOMO in June 2000.

To assist in the planning of allocations for Phase VIII, SOMO prepared a table summarizing all allocations granted in Phase VI and Phase VII.<sup>86</sup> The chart, which was created on June 1, 2000 and was entitled "Statement of Allocations for the Phase Subsequent to Phase Seven," also includes proposed allocations for Phase VIII. The chart includes an entry for "Burhan Al-Chalabi + (Galloway + Fawaz Zureikat)." In addition, the table indicates that the allocation had recently been increased to 4 million barrels. A comment in the "Remarks" column of the table indicates that the allocation "has been increased by (1) million recently." The relevant part of this SOMO table is reproduced below, as Figure 1.

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<sup>84</sup> IIS Letter. (Ex. 6).; Tariq Aziz interview (July 7, 2005).

<sup>85</sup> Tariq Aziz interview (July 7, 2005).

<sup>86</sup> SOMO Table (June 1, 2000). (Ex. 16).

Figure 1. Excerpt of SOMO Table reflecting a 4 million-barrel allocation for Phase VII to Galloway in the name of Burhan Al-Chalabi (English translation and Arabic original)

Statement of Allocations for the Phase Subsequent to Phase Seven (Million Barrels)					
06/01/2000					
No.	Country	Allocations in Phase Six	Allocations in Phase Seven	Allocations for the Phase Subsequent to Phase Seven	Remarks
54	Britain	2	0.5%	10	2.8%
	A- Regular requests	-	-	-	-
	*B- Special requests		0.5%	2.8%	
	*Mr. Burhan Al-Chalabi + (Galloway + Fawaz Zureikat)		4		It has been increased by (1) million recently

ت	الدولة	التخصيص للمرحلة المتتالية	التخصيص للمرحلة السابعة	التخصيص للفترة ما بعد السابعة	الملاحظات
١	الولايات المتحدة	١٠	٢.٨%	٢	
٢	الولايات المتحدة	١٠	٢.٨%	٢	
٣	السعودية	١٠	٢.٨%	٢	
٤	السعودية	١٠	٢.٨%	٢	
٥	السعودية	١٠	٢.٨%	٢	
٦	السعودية	١٠	٢.٨%	٢	
٧	السعودية	١٠	٢.٨%	٢	
٨	السعودية	١٠	٢.٨%	٢	
٩	السعودية	١٠	٢.٨%	٢	
١٠	السعودية	١٠	٢.٨%	٢	

This SOMO chart reflects that this allocation was increased by one million barrels in early summer 2000. This is entirely consistent with the evidence – such as Aziz’s statements and the IIS Letter – that the Committee of Four granted Galloway’s request for an increase of his allocation in early 2000. Moreover, this evidence is also consistent with the documents reflecting that Contract M/07/83 – the contract to purchase the Chalabi-Galloway-Zureikat allocation – was amended in early 2000 to increase the volume of oil by one million barrels.<sup>87</sup> All told, these documents provide substantial evidence that Galloway was granted an allocation of 4 million barrels of oil in Phase VII of the Program.

### 3. Zureikat Receives \$70,000 in Connection with M/07/83

Pursuant to Contract M/07/83, nearly 3.9 million barrels of Iraqi crude oil were lifted over five shipments from February 2000 through June 2000.<sup>88</sup> In connection with its purchase of Iraqi crude oil under the Oil-for-Food Program, Fortum Oil and Gas Oy (currently Neste Oil Oy) following its de-merger from Fortum Oyj) retained Dr. Burhan Al-Chalabi to act as its agent, and executed a formal, binding agency agreement with Chalabi.<sup>89</sup> After Fortum Oil and Gas

<sup>87</sup> Letter from Rodney A. Gavshon to Dr. Alexander V. Kramer, Oil Overseer (Apr. 20, 2000); Letter from SOMO to The U.N. Oil Overseers (Apr. 20, 2000); Letter from The Oil Overseers to Fortum Oil & Gas OY (Apr. 26, 2000) (Ex. 17) (composite).

<sup>88</sup> SOMO Commercial Invoice Nos. C/34/2000, B/58/2000, B/81/2000, C/79/2000, C/146/2000 (Ex. 18) (composite).

<sup>89</sup> Neste Oil Oy Interview (Oct. 21, 2005).

acquired Iraqi crude oil pursuant to Contract M/07/83, which was approved by the U.N., Chalabi issued a formal invoice to Fortum Oil and Gas for an agreed-upon commission of 12 cents per barrel of oil. Fortum Oil and Gas paid the outstanding balance reflected in the invoice of more than \$119,000 in June 2000. That payment, pursuant to the terms of the agency agreement, was made to an account in the name of Delta Services Ltd. at Lloyds TSB Bank Plc.<sup>90</sup>

Soon after Fortum's payment to Delta Services Ltd., on July 3, 2000, Delta Services Ltd. forwarded \$70,000 to Fawaz Zureikat's account at Citibank.<sup>91</sup> This wire transfer, which incurred fees of \$25, is reflected on Zureikat's Citibank Statement of Account as an incoming transfer of \$69,975.<sup>92</sup>

#### G. The Phase VIII Allocation

As presented above, SOMO created a chart on June 1, 2000, indicating that Galloway received an allocation of four million barrels in Phase VII. SOMO updated that chart two weeks later, on June 14, 2000, and the entry for the Chalabi-Galloway-Zureikat allocation was listed under the single name of "Fawaz Zureikat."<sup>93</sup> Notably, this updated chart indicated for the first time that Galloway had been granted an allocation in Phase VIII of the Program. Galloway, according to the June 14 table, had been granted an allotment of four million barrels under the name of Fawaz Zureikat.

The timing of this allocation – at the beginning of Phase VIII, which fell in the summer of 2000 – is critical, because it is entirely consistent with statements of two oil traders who negotiated for Galloway's Phase VIII allocation in the summer of 2000. Both of these oil dealers informed the Subcommittee that they negotiated with Zureikat for an allocation in Phase VIII, and in doing so, they understood that they were in fact negotiating for an allocation that had been granted to Galloway. One of the oil traders is Oil Trader #1, the individual that discussed oil allocations with Galloway in late 1999. The other witness is Oil Trader #1's consultant, who provided a written statement to the Subcommittee and, per his request, will be called Oil Trader #2 to protect his identity.<sup>94</sup>

Oil Trader #1 and Oil Trader #2 provided detailed accounts of their negotiation with Zureikat.<sup>95</sup> Oil Trader #1 recalled that, at the outset of the meeting, it was declared openly that the allocation under negotiation had been granted to Galloway and that Zureikat was

<sup>90</sup> *Id.*

<sup>91</sup> Citibank wire transfer confirmation (July 3, 2000) (reflecting wire transfer of \$69,975 from Lloyds TSB Bank Plc account in the name of Delta Services Ltd. to Citibank account of Mr. Fawaz Zureikat). (Ex. 19). The Subcommittee has attempted to redact all individual account information from banking records that are included in this report as exhibits.

<sup>92</sup> Citibank Statement of Account, January 1, 2000 – September 5, 2005 (the "Citibank Statement"), page 1, Citibank OFF – 000001 (reflecting "Incoming Telex Transfe" [sic] of \$69,975 on July 4, 2000). (Ex. 20).

<sup>93</sup> SOMO Chart entitled "Statement of Allocations for the Phase Subsequent to Phase Seven" (June 14, 2000). (Ex. 21). This SOMO table was initially introduced in the IIC Report as part of the IIC's evidence that U.N. senior official Benon Sevan received oil allocations. See IIC Report at 145 (presenting and analyzing Ministry of Oil table dated June 14, 2000).

<sup>94</sup> Oil Trader #2 requested confidential treatment of his identity because he feared retaliation, including serious bodily harm. Despite his legitimate concerns for his personal safety, Oil Trader #2 agreed to cooperate with the Subcommittee's investigation, and provided a signed Witness Statement that detailed his testimony. Oil Trader #2 stated the following in his Witness Statement:

In submitting this statement, I affirm that (i) I am making this statement voluntarily, (ii) I have never been and am not currently confined by or in the custody of any government, including the United States of America or Iraq, (iii) I was not promised anything in exchange for this testimony, and I have not received anything of value in exchange for this testimony, (iv) I have not been coerced or otherwise threatened and am not making this statement under duress, and (v) everything stated herein is true and accurate and presented to the best of my knowledge. I have requested confidential treatment of my identity – including the redaction of my name from this witness statement – because I fear that the disclosure of my identity will expose me to serious bodily harm.

In light of the genuine and reasonable concern for his safety, the Subcommittee staff has elected to honor his request and keep his identity confidential by redacting his name, initials and other identifying information from his Witness Statement. A redacted version of Oil Trader #2's Witness Statement is attached to this Report, and will be cited as "Oil Trader #2 Witness Statement." (Ex. 22).

<sup>95</sup> For a complete description of the negotiation between Zureikat and Oil Trader #1 and Oil Trader #2, see Appendix E.

representing Galloway.<sup>96</sup> Oil Trader #2 indicated on at least four different occasions that he knew that Zureikat represented Galloway in the negotiation over the allocation.<sup>97</sup>

Both Oil Trader #1 and Oil Trader #2 recalled that the negotiation focused on the amount of the commission that Zureikat would receive.<sup>98</sup> Zureikat told Oil Trader #1 and Oil Trader #2 that he needed to communicate with his client to get approval.<sup>99</sup> Oil Trader #2 stated that: “I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway.”<sup>100</sup> Similarly, Oil Trader #1 explained that he understood he was “negotiating with Galloway, not Fawaz Zureikat.”<sup>101</sup> Ultimately, however, the negotiations failed, and no deal between Oil Trader #1 and Zureikat was ever completed.<sup>102</sup>

#### 1. Taurus Petroleum Lifts the Oil Allocated to Galloway

Although Oil Trader #1’s company failed to purchase Galloway’s allocation, its competitor Taurus Petroleum ultimately purchased that oil. In connection with those purchases, Taurus made substantial payments to Zureikat, and Zureikat in turn forwarded significant portions of those payments to Galloway’s wife and to the Mariam Appeal. Zureikat also paid significant surcharges in connection with this allocation. Those transactions are examined in detail below.

On July 10, 2000, SOMO executed a contract with Aredio Petroleum for the sale of four million barrels of oil.<sup>103</sup> This contract with Aredio was numbered M/08/35. Shortly thereafter, SOMO wrote its customary letter to the Minister of Oil, requesting his approval of the contract.<sup>104</sup> SOMO described Contract M/8/35 to the Oil Minister as “the contract signed with Aredio Petroleum Company (Fawaz Zureikat).” Another SOMO document links the Phase VIII Aredio contract with Zureikat. That document, a chart created in September 2000 and entitled “Table of Proposed Quantities for September 2000,” lists Phase VIII oil contracts to be lifted in September 2000. One entry on the chart states “Aredio (Zureikat),” and indicates an allocation of four million barrels.

As noted above, the name in parentheses next to the purchasing company on SOMO documents typically indicates the recipient of the allocation. With respect to Galloway, however, Tariq Aziz confirmed that allocations would be granted for the benefit of Galloway, but in the name of Chalabi (as in Phase VII) or Zureikat:

**The oil allocations we gave to George Galloway were in the name of either Chalabi, maybe one or two allocations, or to Zureikat. These allocations were about three million barrels each phase.**<sup>105</sup>

In his interview, Aziz reaffirmed his statement that Galloway’s allocations would appear “in the name of Zureikat.” For example, in response to the question “Was oil ever allocated to another person or entity for the benefit of Mr. Galloway?” Aziz responded:

**The oil was allocated in the name of Zureikat and Chalabi, once or twice. These oil allocations were for the benefit of George Galloway and for Miriam’s Appeal.**<sup>106</sup>

<sup>96</sup> Oil Trader #1 interview (Aug. 31, 2005).

<sup>97</sup> Oil Trader #2 Witness Statement at ¶ 4 (stating “I knew that the individual that Mr. Zureikat represented was a British official named George Galloway”), ¶ 7 (stating “I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway”), ¶ 8 (stating “Once again, I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway”), ¶ 9 (referring to “Mr. Zureikat and his client, Mr. Galloway”). (Ex. 22).

<sup>98</sup> Oil Trader #1 interview (Aug. 31, 2005); Oil Trader #2 Witness Statement at ¶ 7. (Ex. 22).

<sup>99</sup> Oil Trader #2 Witness Statement at ¶ 7. (Ex. 22).

<sup>100</sup> *Id.*

<sup>101</sup> Oil Trader #1 interview (Aug. 31, 2005).

<sup>102</sup> *Id.*; Oil Trader #2 Witness Statement at ¶ 9.

<sup>103</sup> SOMO Crude Oil Sales Contract No. M/08/35. (Ex. 23).

<sup>104</sup> Letter from Saddam Zebe Hassan to H.E. the Oil Minister (July 15, 2000). (Ex. 24).

<sup>105</sup> Tariq Aziz interview (July 7, 2005).

<sup>106</sup> *Id.*

Therefore, although the SOMO letter and chart suggest that Fawaz Zureikat was the allocation recipient, Aziz's testimony confirms that the allocation was in fact for the benefit of Galloway.

## 2. Taurus Pays Zureikat and Zureikat Forwards Money to Galloway's Wife

From August 31, 2000 through October 21, 2000, there were five different shipments of Iraqi crude oil pursuant to M/08/35.<sup>107</sup> The total oil lifted pursuant to M/08/35 was 2,645,068 barrels. Taurus Petroleum purchased from Aredio the oil lifted pursuant to M/08/35.<sup>108</sup>

As a commission in connection with the purchase of oil for contract M/08/35, Taurus transferred \$740,000 to Zureikat's account at Citibank on or about July 27, 2000.<sup>109</sup> The Subcommittee has obtained banking records reflecting Taurus's payment to Zureikat. For instance, Citibank's confirmation of this wire transfer is reproduced as Figure 2, below.<sup>110</sup> In addition, Zureikat's Citibank account statement reflects an incoming transfer crediting \$740,000 to the account on July 27, 2000.<sup>111</sup> The account statement also indicates that \$740,000 would not be credited to the account for four days, meaning that Zureikat could first use those funds on July 31, 2000.<sup>112</sup>

On August 3, 2000, just days after the \$740,000 was credited to his account, Zureikat transferred roughly \$150,000 to Galloway's wife. In addition, on the same day, Zureikat transferred \$340,000 to the Mariam Appeal. Aside from the payments to Galloway's wife and the Mariam Appeal, Zureikat also made sizeable payments totaling \$250,000 to other individuals and entities. Those payments are examined below.

<sup>107</sup> SOMO Commercial Invoice Nos. C/224/2000, C/225/2000, B/284/2000, B/305/2000, and C/273/2000. (Ex. 25); Letter of John Kotelly, legal counsel for Taurus Petroleum (Oct. 20, 2005) ("Kotelly Letter").

<sup>108</sup> Kotelly Letter.

<sup>109</sup> *Id.*

<sup>110</sup> Citibank wire transfer confirmation (July 27, 2000) (reflecting wire transfer of \$740,000 from Taurus Petroleum Ltd. to Fawaz A. Zureikat on July 27, 2000). (Ex. 26).

<sup>111</sup> Citibank Statement, Citibank OFF – 000001 (reflecting "Incoming Telex Transfe" [sic] of \$740,000 on July 27, 2000). (Ex. 20).

<sup>112</sup> Citibank Statement, Citibank OFF – 000001. (Ex. 20). Citibank officials confirmed that the date listed under the column "Value" reflected the date on which the funds would be available to the account. In this case, the value date for the \$740,000 Taurus payment was July 31, 2000.

Figure 2. Citibank Confirmation of Transfer of \$740,000 from Taurus Petroleum to Fawaz Zureikat

RECEIVING MESSAGE  
 OCN: 8002087126 26 JUL 2000

RECEIVER: AMMS  
 SENDER: LONMP  
 BASE NO: 400047  
 SEND NAME: G1118ANK N.A.LONDON  
 PLACE: LONDON WCCR LMB-ENGLAND  
 TEST RESULT: NH  
 DEL STATUS: F1  
 REC TIME: 27-115705  
 PRIORITY: 02  
 MESS TYPE: 100  
 SEND TIME: 1617007764100000  
 OUTP REF: AMR1391  
 CCY: USD  
 DLT TIME: 27-131900

USER CODE: F195196

\* INTRAILER MESSAGE TAKEN UP FOR AUTOMATIC PROCESSING

AMR1391  
 AMR1  
 LONMP08 270855 270955  
 1831 NH  
 7055 270711J066XXXX0755  
 1055 17UEBCHGXXXX0755  
 08 02  
 09 1617007764100000  
 20010007764100000  
 01 161803 261841LON N 110  
 1241000000000000  
 0107110015XXXX

NAME A: AMR1391  
 SERVICE FELS SP124 261 264 265  
 71418N

WAC/626611E  
 NR/6262C/080300  
 NC  
 007270855 LN AM99459  
 \*\*\* UNTESTED/OUTBOUND/RESULT NOT KNOWN \*\*\*

27 JUL 00 TIME 14:04:36 PAGE 001 LAST PAGE

United european bank  
 Geneva

3160  
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 Permanent Subcommittee  
 on Investigations

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 STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION

Permanent Subcommittee on Investigations  
 EVIDENT 26

**(a) Zureikat's Payment of \$150,000 to Galloway's Wife**

One of Zureikat's payments on August 3, 2000 was a \$150,000 wire transfer to "Amina Naji Abu Zayyad," Galloway's wife. This transfer is captured in several documents obtained by the Subcommittee. First, Zureikat's Citibank monthly statement reflects an "Outgoing Customer Wire" of \$150,000 on August 3, 2000.<sup>113</sup> That transfer was numbered 3002161738. Citibank's records for wire transfer 3002161738 indicate that "Mr. Fawaz Abdallah Zureikat" wired \$150,000 to an account at Arab Bank Plc in Amman, Jordan in the name of "Amina Naji Abu Zayyad."<sup>114</sup> That Citibank wire confirmation is reproduced as Figure 3, below.

The Subcommittee also obtained a confirmation of this wire transfer from Abu-Zayyad's bank, Arab Bank Plc.<sup>115</sup> This document confirms that \$149,980 (\$150,000 less minor transaction fees) was transferred from a Citibank account in the name of "Mr. Fawaz Abdullah Zureikat" and was credited to the account of "Amina Naji Abu Zayyad" at the Arab Bank Plc in Amman, Jordan on August 4, 2000.<sup>116</sup> The Arab Bank transfer record is reproduced as Figure 4, below.

<sup>113</sup> Citibank Statement, page 2, Citibank OFF – 00002. (Ex. 20). The Citibank Statement indicates that the amount debited from Zureikat's account was \$150,038.03. Citibank officials confirmed that the transferred amount was \$150,000 and that it charged fees for this transaction totaling \$38.03. As a result, the amount deducted from his account (\$150,038.03) reflects the transferred amount of \$150,000 and \$38.03 in Citibank fees.

<sup>114</sup> Citibank wire transfer confirmation, Citibank OFF – 000025 (Aug. 4, 2000, (Ex. 27))

<sup>115</sup> Arab Bank wire confirmation record, ABUSS008 (Aug. 4, 2000), (Ex. 28).

<sup>116</sup> Arab Bank confirmed that the commission charged for this transaction was \$16. Days after Zureikat transferred the \$150,000 payment to Abu-Zayyad's Arab Bank account, Abu-Zayyad transferred \$24,950 from that Arab Bank account to an account in her name at the Co-operative Bank Plc in London. Arab Bank Wire Transfer Confirmation, ABUSS009 (Aug. 11, 2000) (reflecting a transfer of \$24,945 less a commission of \$16 on August 11, 2000 from Arab Bank account in the name of "Amineh Abu Zayyad" to Co-operative Bank Plc account in the name of "Amineh Anu Zakvand" [*sic*]). (Ex. 29).

**Figure 3. Citibank Confirmation of Transfer of \$150,000 from Zureikat to Abu-Zayyad**

A200000  
 NYEAP  
 AM060709  
 TEST Y AMT 150000  
 TESTED WITH CB LONDON  
 1700 03CITIBUS3JAXXX00000  
 1700 03CITIBUSJAXXX00000  
 100 02  
 10021002161718  
 12A:000004USD150000,  
 50:MR. FAWAZ ABDALLAH ZUREKAT  
 P.O.BOX 7373  
 AMMAN, JORDAN  
 51B: [REDACTED]  
 CITIBANK N.A. AMMAN ✓  
 580://CP0572  
 ARAB BANK PLC  
 57D://C0015519  
 ARAB BANK PLC  
 AMMAN JORDAN  
 59: [REDACTED]  
 AMINA HAIT ABU LAYYAD  
 71A:BNM  
 72://ACC/PAY THRU FIFTH CIRCLE  
 // BRANCH  
 \*06011700CITIBANK N.A. AMMAN \*\* END OF MESSAGE \*\*  
 A200000  
 NYEAP

**Figure 4. Arab Bank Confirmation of Transfer of \$150,000 from Zureikat to Abu-Zayyad**

[illegible]

Zureikat's transfer to Galloway's wife must have contained Oil-for-Food-related money. At the time of the transfer to Galloway's wife, Zureikat's Citibank account carried a balance of \$848,683.11. The relevant portions of the Statement of Account for Zureikat's Citibank account are reproduced as Figure 5, below. The overwhelming majority of that balance was directly related to oil transactions under the Oil-for-Food Program – \$70,000 had been deposited by Delta Services Ltd. in connection with the Phase VII contract, M/07/83, and \$740,000 had come from the Taurus payment related to M/08/35. Therefore, Zureikat's account contained only \$38,000 that was potentially unrelated to the Oil-for-Food Program. In response to the Subcommittee's interrogatories, Dr. Abu Zayyad stated: "I have never solicited or received from Iraq or anyone else any proceeds of any oil deals, either for myself or for my former husband."<sup>117</sup>

<sup>117</sup> Electronic message from Dr. Amineh Abu-Zayyad to the Subcommittee (Oct. 24, 2005).

**Figure 5. Zureikat Citibank Account Statement Reflecting M/08/35 Commission Payment and Outgoing Transfers to Galloway's Wife and Mariam Appeal.**

STATEMENT OF ACCOUNT 5 500190 207 01 JAN 00 - 05 SEP 05 PAGE 1		ACCOUNT C/O: SED	
500190			
COPY AS C F 05 SEP 05 11:50:58			
MR. FAWAZ ABDALLAH ZUREIKAT 7373			
AMMAN, JORDAN			
SAVING AC	COUNTRY		
DATE	DESCRIPTION	VALUE	AMOUNT
01.01.00	BALANCE BROUGHT FORWARD C	USD	***2,358.57
02.01.00	INTEREST CHARGES	USD	01.01.00 13.36
25.03.00	BALANCE CREDIT	USD	***2,362.33
25.03.00	SA FAWAZ WITHDRAWAL	USD	24.03.00 1,000.00
25.03.00	BALANCE CREDIT	USD	***1,552.33
25.03.00	INTEREST	USD	01.01.00 8.95
04.07.00	BALANCE CREDIT	USD	***1,061.28
04.07.00	INTERNAL TRANSFER	3001862211 04.07.00	1.41-
04.07.00	INTERNAL TRANSFER	3001862212 04.07.00	854.43-
04.07.00	INCOMING TELEX TRANSFER	3001988007 04.07.00	68,075.00
15.07.00	BALANCE CREDIT	USD	***70,491.43
15.07.00	SA FAWAZ DEPOSIT	USD	13.07.00 47,491.00
27.07.00	BALANCE CREDIT	USD	***117,980.43
27.07.00	INCOMING TELEX TRANSFER	3002098180 31.07.00	740,000.00
30.07.00	BALANCE CREDIT	USD	***157,990.43
30.07.00	INTERNAL DEBIT	USD	30.07.00 27,200.00
31.07.00	BALANCE CREDIT	USD	***130,790.43
31.07.00	SA FAWAZ WITHDRAWAL	USD	31.07.00 2,900.00
31.07.00	INTERNAL DEBIT	USD	31.07.00 10,000.00
-2-			
STATEMENT OF ACCOUNT 5 500190 207 01 JAN 00 - 05 SEP 05 PAGE 2			
DATE	DESCRIPTION	VALUE	AMOUNT
02.08.00	BALANCE CREDIT	USD	***808,720.45
02.08.00	INTERNAL TRANSFER	3002151735 02.08.00	1,107.34-
02.08.00	SA FAWAZ DEPOSIT	USD	02.08.00 40,000.00
02.08.00	BALANCE CREDIT	USD	***848,663.11
03.08.00	INTERNAL TRANSFER	3002181727 03.08.00	0.85-
03.08.00	INTERNAL TRANSFER	3002181935 03.08.00	6,159.80-
03.08.00	OUTGOING CUSTOMER WIRE	3002181755 03.08.00	15,696.55-
03.08.00	OUTGOING CUSTOMER WIRE	3002181754 03.08.00	20,036.87-
03.08.00	OUTGOING CUSTOMER WIRE	3002181758 03.08.00	49,036.03-
03.08.00	OUTGOING CUSTOMER WIRE	3002181759 03.08.00	50,036.03-
03.08.00	OUTGOING CUSTOMER WIRE	3002181758 03.08.00	150,036.03-
03.08.00	OUTGOING CUSTOMER WIRE	3002181760 03.08.00	340,036.03-
03.08.00	BALANCE CREDIT	USD	***726,876.12
03.08.00	INTERNAL TRANSFER	3002192508 03.08.00	1.41-
03.08.00	INTERNAL TRANSFER	3002192507 03.08.00	587.87-
03.08.00	BALANCE CREDIT	USD	***1,026,048.14
15.08.00	ACCOUNT DEBITED	USD	15.08.00 3,300.00-
15.08.00	INTERNAL DEBIT	USD	15.08.00 100,000.00-
17.08.00	BALANCE CREDIT	USD	***1,223,048.14
17.08.00	INTERNAL DEBIT	USD	17.08.00 25,000.00-
23.08.00	BALANCE CREDIT	USD	***948,046.14
23.08.00	INTERNAL TRANSFER	3002362204 23.08.00	1.41-
23.08.00	INTERNAL TRANSFER	3002362503 23.08.00	2,827.82-
23.08.00	BALANCE CREDIT	USD	***95,215.91
24.08.00	ACCOUNT DEBITED	USD	24.08.00 2,059.20-
24.08.00	BALANCE CREDIT	USD	***93,157.85
27.08.00	INTERNAL TRANSFER	3002406114 27.08.00	1.41-
27.08.00	INTERNAL TRANSFER	3002406115 27.08.00	988.70-
27.08.00	INTERNAL TRANSFER	3002401935 27.08.00	12,148.30-
27.08.00	BALANCE CREDIT	USD	***100,019.44
28.08.00	INTERNAL TRANSFER	3002411935 28.08.00	2,543.76-
28.08.00	BALANCE CREDIT	USD	***77,475.60
29.08.00	INTERNAL TRANSFER	3002431735 29.08.00	17,239.55-
29.08.00	BALANCE CREDIT	USD	***95,186.11
04.09.00	INTERNAL TRANSFER	3002482501 04.09.00	1.41-
STATEMENT OF ACCOUNT 5 500190 207 01 JAN 00 - 05 SEP 05 PAGE 3			
DATE	DESCRIPTION	VALUE	AMOUNT
07.09.00	INTERNAL TRANSFER	3002482500 04.09.00	1,768.77-
07.09.00	BALANCE CREDIT	USD	***63,414.83
07.09.00	INTERNAL TRANSFER	3002511725 07.09.00	1.41-
07.09.00	INTERNAL TRANSFER	3002511735 07.09.00	30,900.00-
07.09.00	BALANCE CREDIT	USD	***32,413.53
10.09.00	INTERNAL TRANSFER	3002541725 10.09.00	1.41-
10.09.00	INTERNAL TRANSFER	3002541735 10.09.00	4,237.29-

In addition, it is significant that this \$150,000 payment could not represent Abu-Zayyad's compensation for her employment with Mariam Appeal. First, Abu-Zayyad's salary with the Mariam Appeal was £25,000 per year.<sup>118</sup> Therefore, this \$150,000 payment was several multiples of her annual salary. Moreover, her salary was sent in regular payments directly from the Mariam Appeal accounts at either Lloyds TSB Bank or the NBAD, and all of her salary payments are accounted for from those accounts.<sup>119</sup> In contrast, the \$150,000 payment was sent directly from Fawaz Zureikat's personal account, and not from an account of the Mariam Appeal.

**(b) Zureikat's \$340,000 Transfer to the Mariam Appeal**

On the same day that Zureikat transferred \$150,000 to Galloway's wife, he also wired \$340,000 to the Mariam Appeal. This transfer is reflected in the Citibank account statement, which indicates an "Outgoing Wire Transfer" from Zureikat's account of \$340,000 on August 3, 2000.<sup>120</sup> This wire transfer was numbered 3002161760. Citibank's records for transaction 3002161760 indicate a transfer from "Mr. Fawaz Abdallah Zureikat" of \$340,000 to account number 0223776 in the name of "The Mariam Appeal" at Lloyds TSB Bank Plc.<sup>121</sup> Similarly, the records of the Mariam Appeal account at Lloyds TSB also confirm that Fawaz Zureikat made a deposit of that size at that time.<sup>122</sup>

<sup>118</sup> Letter from Charity Commission for England and Wales to firm of Davenport Lyons (Feb. 18, 2004).

<sup>119</sup> Mariam Appeal bank statements for accounts at Lloyds TSB and NBAD.

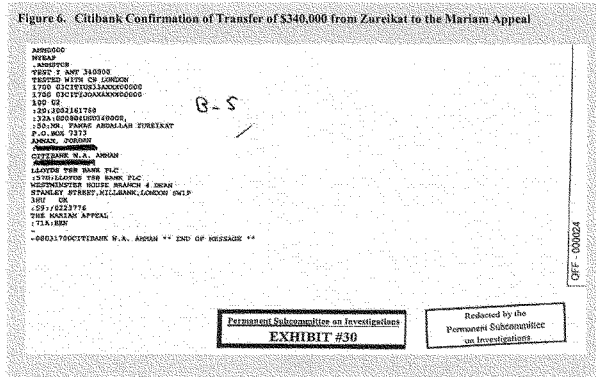
<sup>120</sup> Citibank Statement, page 2, Citibank OFF - 00002. (Ex. 20). Citibank officials confirmed that the transferred amount was \$340,000 and that it charged fees for this transaction totaling \$38.03. As a result, the amount debited from Zureikat's account was \$340,038.03, reflecting the transferred amount of \$340,000 and the Citibank fees of \$38.03.

<sup>121</sup> Citibank wire transfer confirmation, Citibank OFF - 0000024. (Ex.30).

<sup>122</sup> Lloyds TSB Monthly Statement for Mariam Appeal account (excerpt reflecting a deposit of £224,996.31 by Zureikat on August 4, 2000). (Ex. 31). U.S. dollars traded for 0.668 British pounds on August 4, 2000. See Interbank rate for August 4, 2000.



Figure 6. Citibank Confirmation of Transfer of \$340,000 from Zureikat to the Mariam Appen



This transfer to the Mariam Appeal must have consisted of Oil-for-Food-related money. As noted above, at the time of the transfer to the Mariam Appeal account, Zureikat's Citibank account carried a balance of \$848,683.11. Of that balance, \$810,000 had come from commissions for oil contracts M/07/83 and M/08/35. Therefore, the vast majority, if not all, of Zureikat's \$340,000 payment to Mariam Appeal must have resulted from Galloway's oil allocation.

**(c) Zureikat's Other Payments Following Contract M/08/35**

Aside from the payments to Galloway's wife and the Mariam Appeal, Zureikat made four additional payments on August 3, 2000. One payment was \$15,666 to Galloway's spokesman, Ron McKay.<sup>123</sup> Another transfer was a payment of \$20,000 to a Turkish bank account for the benefit of an individual named "Mr. Ali Ozer Baliikei."<sup>124</sup> Zureikat's final two payments on August 3, 2000 were a \$40,000 payment to a company called "Petrocorp A.V.V.." and a \$50,000 payment to his own company, Middle East Advanced Semiconductors, Inc.<sup>125</sup>

### 3. Zureikat Owes Surcharges for Contract M/08/35

In addition to transferring money to Galloway's wife, the Mariam Appeal and others, Zureikat paid massive, under-the-table surcharges to SOMO in connection with Contract M/08/35. While Zureikat's payments to Abu-Zayyad and the Mariam Appeal occurred immediately after he received the funds from Taurus Petroleum, the surcharge payments for M/08/35 were delayed for more than a year. In fact, Zureikat paid the owed surcharge – which amounted to more than \$264,000 – only after the Minister of Oil threatened to blacklist him in December 2001.<sup>126</sup> Zureikat's outstanding surcharges for Contract M/08/35 are a recurring theme in the Galloway-Zureikat oil transactions, and the evidence related to those payments is examined in Section V below.

<sup>123</sup> Citibank Statement, page 2, Citibank OFF – 00002 (reflecting “Outgoing Customer Wire” numbered 3002161756) (Ex. 20); Citibank wire transfer record, Citibank OFF – 0000023 (indicating that wire transfer 3002161756 consisted of a \$1,666 wire to an account at the Bank of Scotland held in the name of “Mr. Ron McKay”) (Ex. 32). Citibank confirmed that it assessed a fee of \$32.55 in connection with that transfer, and therefore, the Citibank statement indicates a debit associated with 3002161756 of \$15,698.55.

<sup>124</sup> Citibank Statement, page 2, Citibank OFF – 00002 (reflecting “Outgoing Customer Wire” numbered 3002161754) (Ex. 20); Citibank wire transfer record, Citibank OFF – 0000023 (indicating that wire transfer 3002161754 consisted of a \$20,000 wire to an account at the Bank of Scotland held in the name of “Mr. Ali Ozer Baliker”) (Ex. 32). The Subcommittee was unable to determine why Zureikat forwarded \$20,000 to Mr. Baliker.

<sup>125</sup> Citibank wire transfer record, Citibank OFF – 0000024 (reflecting wire transfer no. 3002161758 of \$40,000 from Fawaz Zureikat to Petrocorp A.V.V. on August 4, 2000 and wire transfer no. 3002161759 of \$50,000 from Fawaz Zureikat to Cybertech Consultancy Services for the benefit of MEASI on August 4, 2000). (Ex. 30).

<sup>126</sup> In a letter to the Oil Minister dated December 19, 2001, SOMO confirmed that the Oil Minister instructed to reject further "proposals" from Zureikat until he satisfied his surcharge obligations. Letter of Ali Rajab Hassan to the Oil Minister (Dec. 19, 2001). That letter is analyzed below in Section V(E).

#### H. The First Phase IX Allocation (Contract M/09/23)

On January 13, 2001, Aredio Petroleum executed an oil purchase contract with SOMO.<sup>127</sup> That contract was numbered M/09/23. Evidence obtained by the Subcommittee establishes that the oil for Contract M/09/23 had been allocated to Galloway and the Mariam Appeal. That evidence is presented below.

The day after M/09/23 was signed, SOMO requested approval of Contract M/09/23 from the Oil Minister. In describing the contract, SOMO stated that the contract was signed with "Aredio Petroleum Company (Fawaz Zuraiqat – Mariam's Appeal)."<sup>128</sup> This letter, according to Amer Rashid, the Hussein-era Oil Minister, followed the traditional form used to request approval from the Oil Minister.<sup>129</sup> The Oil Minister also confirmed to the Subcommittee that this letter was authentic, and stated that he did indeed approve that contract and his signature was valid.

Another SOMO document makes a more direct link between Contract M/09/23 and Galloway. That document is a chart created after the fall of the Hussein regime entitled, "Crude Oil Allocations during Phase 9 of the Memorandum of Understanding." It lists every oil contract in Phase IX of the Program and indicates the person or entity that had been allocated that oil.<sup>130</sup> The entry for Contract M/09/23 indicates that the contract was executed with "Mr. Fawaz Zuraiqat/George Galloway/Aredio Petroleum – French." This SOMO document therefore demonstrates that the allocation for Contract M/09/23 was not just for Mariam's Appeal, but also for Galloway.

Aside from the evidence establishing that the allocation for Contract M/09/23 had been awarded to Galloway and the Mariam Appeal, the Subcommittee was unable to obtain any credible evidence of payments resulting from this transaction.

#### I. The Second Phase IX Allocation (Contract M/09/118)

Galloway and the Mariam Appeal were granted a second allocation in Phase IX. Evidence obtained by the Subcommittee indicates that the oil for Contract M/09/118 appears to have been allocated for the benefit of Galloway and his political campaign. This evidence indicates that Zureikat was paid a large commission for this contract and forwarded roughly \$30,000 of that amount to the Mariam Appeal. In addition, the Subcommittee has obtained significant evidence establishing that Zureikat paid more than \$247,000 in surcharges related to this contract.

##### 1. Taurus Lifts the Oil for Contract M/09/118

On June 6, 2001, roughly one month after M/09/118 was signed, an oil tanker loaded 990,610 barrels of Basrah light crude oil from the Mina Al-Bakr oil terminal.<sup>131</sup> One week later, on June 14, 2001, SOMO sent a chart to the Oil Minister detailing all Phase IX oil liftings.<sup>132</sup> The chart contains an entry for MEASI's Phase IX contract, showing contractual volume of two million barrels and the lifting of 991,000 barrels from Mina Al-Bakr terminal. Significantly, the chart identifies the purchaser as "Middle East (Galloway)." As noted above, SOMO would customarily confirm the identity of the relevant allocation holder by placing his name in parenthesis next to the name of the purchaser.<sup>133</sup> Therefore, this SOMO chart indicates that the allocation for Contract M/09/118 was in fact granted to Galloway. As further evidence that this allocation had been granted to Galloway, Zureikat forwarded a substantial portion of the commission for this contract to the Mariam Appeal.

<sup>127</sup> SOMO Crude Oil Sales Contract No. M/09/23. (Ex. 33).

<sup>128</sup> Letter from Saddam Zebe Hassan to H.E. the Oil Minister (Jan. 14, 2001). (Ex. 34).

<sup>129</sup> Amer Rashid interview (Apr. 14, 2005).

<sup>130</sup> SOMO Chart, "Crude Oil Allocations during Phase (9) of the Memorandum of Understanding" (undated). (Ex. 35).

<sup>131</sup> SOMO Commercial Invoice No. B/104/2001 (June 6, 2001); SOMO Crude Oil Sales Contract M/09/118. (Ex. 36) (composite).

<sup>132</sup> SOMO Chart entitled, "Exports of Iraqi Crude Oil as per the Memorandum of Understanding/Phase Nine from 12/07/2000 – 06/03/2001" (June 14, 2001). (Ex. 37).

<sup>133</sup> Amer Rashid interview (Apr. 14, 2005).

## 2. In Connection with M/09/118, Zureikat Makes a Payment to the Mariam Appeal

Taurus Petroleum purchased the cargo of 990,610 barrels.<sup>134</sup> In connection with that purchase, Taurus wired a commission payment of \$297,183 to Zureikat's account at Citibank on July 5, 2001.<sup>135</sup> It should be noted that \$297,183 equals exactly 30 cents per barrel for each of the 990,610 barrels lifted in connection with M/09/118. Therefore, it appears that Taurus paid Zureikat a commission of exactly 30 cents per barrel.

The \$297,183 transfer from Taurus was captured in the Citibank Statement, which indicates that the tracking number of that transaction was 3011864066.<sup>136</sup> The wire records for 3011864066 confirm the transfer of \$297,183 on July 5, 2001 from "Taurus Petroleum Limited" to the beneficiary, "Fawaz A. Zureikat."<sup>137</sup> The Citibank Statement indicates that the funds were posted to Zureikat's account after a four-day clearance period, meaning Zureikat would have had access to those funds on July 9, 2001.<sup>138</sup>

On the very day that the funds were posted to his account, July 9, 2001, Zureikat wired \$30,000 to the Mariam Appeal.<sup>139</sup> The Citibank Statement reflects an outgoing wire transfer on July 9, 2001 of \$30,000.<sup>140</sup> That transaction was numbered 3011900211, and the record for that transaction confirms that the funds were wired to an account in the name of the Mariam Appeal.<sup>141</sup> The record states that "Mr. Fawaz Abdallah Zureikat" forwarded \$30,000 from his Citibank account to an account at Lloyds TSB Bank Plc in the name of "The Mariam Appeal." The confirmation sheet indicates that the wire transfer was a "Donation."

Notably, before Taurus's transfer of \$287,183, Zureikat's account had a meager balance of only \$10.66. As a result, Zureikat's \$30,000 payment from that account to Mariam Appeal must have come from the Oil for Food commission. In total, that \$30,000 payment represents approximately 27% of the commission that Zureikat received in connection with M/09/118.<sup>142</sup>

### J. The Phase X Allocation

As in the previous three phases, Galloway received another allocation in Phase X of the Program. This allocation appears to follow the basic pattern of the previous transactions (Contracts M/08/35 and M/09/118) – namely Taurus Petroleum purchased the allocation, paid Zureikat a sizeable commission, and then Zureikat forwarded a portion of the commission to the Mariam Appeal. In addition, Zureikat paid massive improper surcharges to the Hussein regime.

On August 6, 2001, Fawaz Zureikat, as President of MEASI, executed Contract M/10/38 with SOMO for the purchase of three million barrels of oil.<sup>143</sup> Roughly one week later, SOMO notified the Oil Minister of the contract, and requested his approval.<sup>144</sup> In describing the contract, SOMO indicated that the purchasing company was MEASI and placed "(Fawaz Zureikat)" next to MEASI's name. The Oil Minister later approved the contract, and in the next two months, two shipments of roughly three million barrels of oil were lifted pursuant to the contract.<sup>145</sup>

On September 9, 2001, an oil tanker lifted 1,002,767 barrels from the Ceyhan terminal pursuant to M/10/38. This shipment was purchased by Taurus Petroleum.<sup>146</sup> Roughly one

<sup>134</sup> Kotelly letter.

<sup>135</sup> *Id.*

<sup>136</sup> Citibank Statement at 5, Citibank OFF – 00005 (reflecting "Incoming Telex Transfe" [sic] numbered 3011864066). (Ex. 20).

<sup>137</sup> Citibank Wire Transfer Record, Citibank OFF – 0000013. (Ex. 38).

<sup>138</sup> Citibank Statement at 5, Citibank OFF – 00005 (reflecting a "Value" date of July 9, 2001 for transaction numbered 3011864066). (Ex. 20).

<sup>139</sup> Citibank Statement at 5, Citibank Oil for Food – 00005. (Ex. 20).

<sup>140</sup> Citibank confirmed to the Subcommittee that it charged a fee of \$38.09 for this transaction, and therefore, the funds actually transferred amounted to \$30,000.

<sup>141</sup> Citibank Wire Transfer Record, Citibank OFF – 0000028. (Ex. 39).

<sup>142</sup> As noted below, Zureikat paid \$187,183 in improper surcharges in connection with this contract. Removing that sum from Zureikat's commission leaves a pool of \$110,000. The \$30,000 payment represents roughly 27% of those remaining funds.

<sup>143</sup> SOMO Crude Oil Sales Contract M/10/38 (Aug. 6, 2001). (Ex. 40).

<sup>144</sup> Letter of Saddam Zebe Hassan to the Oil Minister (Aug. 14, 2001). (Ex. 41).

<sup>145</sup> SOMO Commercial Invoice No. C/124/2001 (Sept. 9, 2001). (Ex. 42).

<sup>146</sup> Kotelly Letter.

month later, on October 17, 2001, Taurus wired a payment of \$336,009.96 as a commission for Contract M/10/38 to Zureikat's account at Arab Bank.<sup>147</sup> On October 25, 2001, just days after Zureikat received the \$336,009.96 transfer from Taurus, he transferred £20,852.49 (approximately \$30,000) to the Mariam Appeal account at Lloyds TSB.<sup>148</sup>

The second shipment for M/10/38 followed the same pattern. On October 16, 2001, a tanker lifted 1,917,528 barrels in connection with M/10/38 and Taurus purchased the oil.<sup>149</sup> Roughly one month later, on November 19, 2001, Taurus Petroleum transferred a payment of \$698,640.14 as a commission for Contract M/10/38 to Zureikat's Arab Bank account.<sup>150</sup> On November 28, 2001, days after he received the \$698,640.14 commission payment from Taurus, Zureikat forwarded £17,473.38 (approximately \$26,000) to the Mariam Appeal account at Lloyds TSB.<sup>151</sup>

In total, Taurus paid commissions of \$1,034,650.10 in connection with Contract M/10/38. Taking into account the fact that Zureikat paid surcharges of \$825,822.25 in connection with this contract (which will be analyzed in detail below), Zureikat's transfers of approximately \$56,000 to the Mariam Appeal accounted for roughly 27% of the commission arising from this contract.

#### K. The Phase XI Allocation

On December 12, 2001, SOMO signed a contract with Zureikat's company MEASI for three million barrels of oil in Phase XI of the Program.<sup>152</sup> That contract, numbered M/11/04, was signed for the purchaser by Fawaz Zureikat. A few days later, the Acting Executive Director of SOMO wrote to the Oil Minister, requesting approval of Contract M/11/04.<sup>153</sup> In describing the contract, SOMO confirmed to the Oil Minister that the oil had been allocated to Galloway:

**Based on the statement of allocations dated 12/10/2001, please find below the details of the contract signed with Middle East ASI Company (Mr. George Galloway)/Fawaz Zureikat.**

As noted above, SOMO identified allocation recipients by placing their names in parenthesis next to the name of the purchasing company. In this case, this letter expressly indicates that the allocation had been granted to Galloway. Upon reviewing this document in an interview, Minister of Oil Amer Rashid confirmed that Galloway's name on the document indicated that he was awarded the allocation related to this contract:

**Q: Does the phrase "(Mr. George Galloway)" mean that the allocation for this oil was granted to George Galloway?**

**A: Yes.**<sup>154</sup>

Several weeks later, on December 29, 2001, an oil tanker lifted 2,360,860 barrels of Iraqi crude oil pursuant to M/11/04. Taurus Petroleum purchased that shipment of oil.<sup>155</sup> On January 31, 2002, roughly one month after the M/11/04 lifting, Taurus Petroleum wired a commission payment of \$835,932.10 to Zureikat's account at the Jordan National Bank.<sup>156</sup>

Several days later, Zureikat forwarded \$20,000 from his JNB account to the Mariam Appeal.<sup>157</sup> That transfer is reflected in the records of J.P. Morgan Chase, which acted as the correspondent bank for the transaction.<sup>158</sup>

<sup>147</sup> Kotelly Letter; Arab Bank wire transfer confirmation (Oct. 17, 2001). (Ex. 43).

<sup>148</sup> Lloyds TSB Statement of Account (reflecting deposit of £20,852.49 from Fawaz Zureikat on October 25, 2001). (Ex. 44).

<sup>149</sup> SOMO Commercial Invoice No. B/183/2001 (Oct. 16, 2001). (Ex. 45); Kotelly letter.

<sup>150</sup> Arab Bank Wire Transfer Confirmation (Nov. 19, 2001). (Ex. 46).

<sup>151</sup> Lloyds TSB Statement of Account (reflecting deposit of £17,473.38 from Fawaz Zureikat on November 28, 2001). (Ex. 47).

<sup>152</sup> SOMO Crude Oil Sales Contract No. M/11/04. (Ex. 48).

<sup>153</sup> Letter from Ali Rajab Hassan to the Oil Minister (Dec. 19, 2001). (Ex. 49).

<sup>154</sup> Amer Rashid interview (May 16, 2005).

<sup>155</sup> Kotelly Letter.

<sup>156</sup> Kotelly Letter; J.P. Morgan Chase Wire Transfer Confirmation (Jan. 31, 2002). (Ex. 50). J.P. Morgan Chase acted as the correspondent bank for this wire transfer.

<sup>157</sup> J.P. Morgan Chase Wire Transfer Confirmation (Feb. 11, 2002). (Ex. 51).

<sup>158</sup> A "correspondent bank" is a bank that serves as a depository and provides banking services for another bank.

#### L. The Phase XII Allocation

On June 3, 2002, SOMO executed a contract with MEASI for three million barrels of oil in Phase XII of the Oil-for-Food Program.<sup>159</sup> That contract, numbered M/12/14, was again signed by Fawaz Zureikat for the purchaser. The next day, SOMO informed the Iraqi Financial Department of Contract M/12/14.<sup>160</sup> Tellingly, the Acting Executive Director of SOMO indicated that the oil for this contract had been allocated to Galloway, referring to the contract as "Contract No. M/12/14 with Middle East ASI (Mr. Galloway)."<sup>161</sup>

Another SOMO document also indicates that the oil underlying Contract M/12/14 had been allocated to Galloway. That document, a letter from SOMO requesting approval of M/12/14 from the Oil Minister, states as follows:

**Based on the statement of allocations dated 05/22/2002, please find below the details of the contract signed with Middle East ASI Company (on behalf of Mr. George Galloway).<sup>162</sup>**

Oil Minister Amer Rashid recognized this letter and authenticated that SOMO had indeed sent it to him.<sup>163</sup> He also confirmed that he approved the contract, noting that his signature was authentic. In addition, the Oil Minister confirmed that this document indicated that Galloway received the allocation for the oil addressed by the contract:

**Q: Does the phrase "(on behalf of Mr. George Galloway)" mean that the allocation for this oil was granted to George Galloway?**

**A: Yes.**

On November 18, 2002, the oil tanker *Berg Borg* lifted precisely one million barrels of oil pursuant to Contract M/12/14.<sup>164</sup> Several days later, on November 25, 2002, another tanker lifted 400,000 barrels in connection with M/12/14.<sup>165</sup> The Subcommittee was unable to gather evidence reflecting Zureikat's distribution of that commission payment.

#### M. The Phase XIII Allocation

In the final phase of the Oil-for-Food Program, Middle East ASI signed contract M/13/48 for the purchase of two million barrels of oil.<sup>166</sup> Soon after Contract M/13/48 was signed, a senior SOMO official informed the Financial Department of the contract.<sup>167</sup> SOMO identified the contract as "Contract No. M/13/48 with Middle East ASI (Mr. Galloway)."

Aside from the SOMO evidence indicating that this allocation had been granted to Galloway, the Subcommittee was unable to obtain evidence reflecting the oil transaction resulting from this allocation.

#### N. Additional Transfers of Funds to the Mariam Appeal Amount to \$230,000

##### 1. Zureikat's \$40,000 Transfer to the Mariam Appeal in March 2001

In addition to the transactions detailed above, the Subcommittee has obtained evidence of an additional transaction in which Zureikat transferred funds to the Mariam Appeal that may be related to the Oil-for-Food Program. On February 28, 2001, Taurus Petroleum loaned \$50,000 to Zureikat.<sup>168</sup> In connection with that loan, Taurus wired \$50,000 to Zureikat's account at Citibank.<sup>169</sup> The Citibank Statement indicates that the transferred funds would not be posted to

<sup>159</sup> SOMO Crude Oil Sales Contract No. M/12/14. (Ex. 52).

<sup>160</sup> Letter of Ali Rajab Hassan to "The Financial Department" (June 4, 2002). (Ex. 53).

<sup>161</sup> *Id.*

<sup>162</sup> Letter from Ali Rajab Hassan to the Oil Minister (June 4, 2002). (Ex. 54).

<sup>163</sup> Amer Rashid interview (May 16, 2005).

<sup>164</sup> SOMO Commercial Invoice No. B/196/2002. (Ex. 55).

<sup>165</sup> SOMO Commercial Invoice No. B/208/2002. (Ex. 56).

<sup>166</sup> SOMO Crude Oil Sales Contract No. M/13/48. (Ex. 57).

<sup>167</sup> Letter of Ali Rajab Hassan to "The Financial Department," (Jan. 25, 2003). (Ex. 58).

<sup>168</sup> Kotelly Letter.

<sup>169</sup> Kotelly Letter; Citibank wire transfer confirmation, Citibank OFF – 000030 (Feb. 27, 2001) (reflecting \$50,000 transfer from Taurus to Fawaz Zureikat's account at Citibank). (Ex. 59). Zureikat's Citibank Statement lists that incoming transfer of \$50,000 on March 1, 2001. Citibank Statement at 5, Citibank – OFF 00005 (reflecting "Incoming Telex Transfe[r]" of \$50,000 on March 1, 2001). (Ex. 20).

the account until March 11, 2001, meaning that Zureikat would not have access to that money until March 11.<sup>170</sup>

On the very day that those funds became available, March 11, Zureikat transferred \$40,000 from his Citibank account to the Mariam Appeal account at Lloyds TSB.<sup>171</sup> That transfer is reflected in a wire transfer confirmation, which states that “Mr. Fawaz Abdallah Zureikat” transferred \$40,000 to Lloyds TSB Bank Plc for the benefit of the Mariam Appeal.<sup>172</sup> The transfer was identified as a “Donation.”<sup>173</sup>

## 2. Other Transfers from Zureikat to the Mariam Appeal Amount to \$190,000

As detailed above, approximately \$446,000 was transferred by Zureikat into the Mariam Appeal bank account at Lloyds TSB in connection with oil transactions between August 2000 and February 2002. Between June 2002 and December 2002, Zureikat made an additional five deposits totaling \$190,000 into the same account:

PAYMENTS MADE BY ZUREIKAT TO THE MARIAM APPEAL ACCOUNT AT LLOYDS TSB POSSIBLY RELATED TO OIL-FOR-FOOD CONTRACTS	
DATE OF PAYMENT	AMOUNT OF PAYMENT
June 13, 2002	\$20,000
July 17, 2002	\$10,000
Aug. 8, 2002	\$20,000
Aug. 26, 2002	\$100,000
Dec. 6, 2002	\$40,000
<b>TOTAL:</b>	<b>\$190,000<sup>174</sup></b>

The Subcommittee has not directly traced those deposits to any particular commercial transaction. The Subcommittee cannot rule out the possibility, however, that some of these funds may have resulted from other Oil-for-Food deals between the Hussein regime and Zureikat’s company, Middle East Advanced Semiconductors, Inc. (“MEASI”). Specifically, between Phase IX and XII, the Hussein regime awarded at least seven contracts to MEASI for humanitarian goods worth over \$22 million.<sup>175</sup> In Phase IX, for example, MEASI was awarded a contract to import over \$9 million in milk powder. Subsequently, MEASI was awarded contracts worth over \$4.5 million in Phase X, over \$2 million in Phase XI, and over \$6 million in Phase XII).<sup>176</sup>

According to the IIS Letter, Galloway had obtained “a limited number of food contracts with the Ministry of Trade” and the percentage of profit on those contracts was one percent. The possibility that Zureikat may have used profits from his contracts for humanitarian goods is supported by Aziz, who stated that Galloway received contracts through Zureikat for the purpose

<sup>170</sup> Citibank confirmed that the 11-day holding period, which is abnormally long for such a transfer, included several days in which the Citibank offices were closed due to a weekend and a Muslim holiday.

<sup>171</sup> Citibank Statement at 5, Citibank – OFF 00005 (reflecting “Outgoing Customer Wire” of \$40,000 on March 11, 2001). (Ex. 20). Citibank confirmed that, in connection with this wire transfer, it charged a fee of \$38.09. Therefore, as with previous wires from the Citibank account, the Statement reflects a total debit of \$40,038.09, reflecting the \$40,000 transferred to the Mariam Appeal and Citibank’s \$38.09 fee.

<sup>172</sup> Citibank wire transfer confirmation, Citibank – OFF 000027. (Ex. 60).

<sup>173</sup> Significantly, at the time of Taurus’s \$50,000 payment to Zureikat, his Citibank account had a balance of only \$3,000. Therefore, at least \$37,000 of the \$40,000 that Zureikat transferred to the Mariam Appeal must have been Oil-for-Food-related funds.

<sup>174</sup> Chase wire transfer records for TRN 2736000162js, 1717700196fs, 8098200218js, and 7985700237fs. (Ex. 61) (composite exhibit).

<sup>175</sup> Table 6 “Humanitarian Goods and Oil Spares Purchases By Vendor and Goods Category For Central & Southern Regions of Iraq,” published by the IIC (Oct. 21, 2004), p. 92.

<sup>176</sup> *Id.*; BNP records (Phase IX letter of credit records).

of raising money for the Mariam Appeal.<sup>177</sup> Specifically, Aziz recalls recommending that Galloway be granted commercial contracts with the Ministry of Trade through the Oil-for-Food Program. Aziz stated that the Iraqi committee in charge of the Program took his recommendations as they related to Galloway. According to Aziz, the purpose of granting the rights to commercial contracts to Galloway, like the oil allocations, was to raise money to fund the Mariam Appeal. Aziz's recollection is that Zureikat served as Galloway's business agent and intermediary for these commercial contracts. According to Aziz, Galloway worked through Zureikat with the respective Iraqi ministries to facilitate the commercial contracts. Aziz specifically recalls that Zureikat received some contracts to import goods such as milk and sugar, but that he did not have the capacity to import larger items.<sup>178</sup>

#### V. ZUREIKAT PAYS IMPROPER SURCHARGES OF OVER \$1.6 MILLION TO THE HUSSEIN REGIME IN CONNECTION WITH GALLOWAY'S OIL ALLOCATIONS

In September 2000, the Hussein regime began demanding an improper, under-the-table payment for each oil purchase under the Program. Such payments, commonly called "surcharges," began on September 1, 2000. According to several Hussein regime officials, Saddam Hussein learned of the substantial profits going to allocation recipients and oil traders who were dealing in Iraqi oil, and sought to capture some of those earnings for himself.<sup>179</sup> One regime official described Hussein's intent:

**Saddam Hussein began to think the amount of the bribery [from the so-called "Saddam Bribery System" of oil allocations] became too great. At that point Saddam Hussein implement[ed] a system to recover some of the bribe money. [The official] explained that this eventually became an objective and the supporters [who received oil allocations] had to give some of their profits to Saddam Hussein.<sup>180</sup>**

Saddam Hussein's plan was straightforward: SOMO would lower the price for oil by a small margin and then demand that the purchaser pay a surcharge back to the Hussein regime through a designated secret bank account. At the beginning of the surcharge period, in Phase VIII, the surcharges were 10 cents per barrel, meaning that a purchaser of 1 million barrels would be obligated to pay \$100,000 into a secret regime-controlled account. The amount of the surcharge fluctuated over the next two years, reaching a peak of 30 cents per barrel. Between September 1, 2000 and November 30, 2000, the surcharge was 10 cents per barrel of oil lifted.<sup>181</sup> Starting on December 1, 2000, the surcharge was increased to 25 cents per barrel for shipments destined for European markets and 30 cents per barrel for shipments destined for the North American market.<sup>182</sup> The surcharge amount was dropped to 15 cents per barrel starting on May 30, 2002 and was canceled altogether on September 1, 2002.<sup>183</sup> The two-year period beginning on September 1, 2000 and ending September 1, 2002 is referred to as the "surcharge period."

<sup>177</sup> Tariq Aziz interview (July 7, 2005).

<sup>178</sup> Tariq Aziz interview (July 7, 2005).

<sup>179</sup> E.g., Amer Rashid interview (Apr. 14, 2005).

<sup>180</sup> Memorandum of Interview (Interview #50) of former regime official by U.S. Treasury Iraqi Financial Asset Team (Mar. 24, 2004).

<sup>181</sup> Memorandum of SOMO official entitled "Allocations and Sales of Crude Oil in the Phases of the Memorandum of Understanding (1996-2003)" (Feb. 19, 2004) ("SOMO Memorandum"), Attachment 4 titled "The Surcharge."

<sup>182</sup> Memorandum from the Crude Oil Marketing Second Department to the Financial Department (Mar. 24, 2001); SOMO Memorandum (Feb. 19, 2004), Attachment 4.

<sup>183</sup> SOMO Memorandum (Feb. 19, 2004), Attachment 4.

These under-the-table surcharge payments were in direct violation of U.N. sanctions and the Oil-for-Food Program because they were not deposited into the U.N.-controlled escrow account held at BNP Paribas. One important aspect of this surcharge scheme was that the Iraqis placed responsibility for the surcharges squarely on the shoulders of the allocation grantee.<sup>184</sup> Therefore, in order to receive an oil allocation after September 1, 2000, the allocation recipient was required to promise to pay the surcharge. There were no exceptions.<sup>185</sup> Accordingly, any person or entity that received an allocation after September 1, 2000 knew of and agreed to pay the improper, under-the-table payment to the Hussein regime.

According to evidence obtained by the Subcommittee, including banking records and SOMO documents, Fawaz Zureikat paid under-the-table surcharges totaling \$1,642,000.65 to the Hussein regime in connection with the allocations granted to Galloway and the Mariam Appeal. That evidence is presented below. At least one senior Hussein regime official informed the Subcommittee that every single individual who received oil allocations throughout the surcharge period (September 2000 through September 2002) knew of and was responsible for paying the surcharges.<sup>186</sup> This official further stated that, although the allocation recipient knew of the surcharges, the actual oil purchasers may have facilitated or made the improper payments. According to this senior Hussein regime official, therefore, Galloway may have known of the improper, under-the-table payment of over \$1.6 million in surcharges to the Hussein regime.

#### SOMO'S SURCHARGE RECORDS

In analyzing Zureikat's surcharge transactions, two sets of documents obtained by the Subcommittee warrant special attention. The first is an exhaustive spreadsheet detailing every payment received by SOMO related to oil transactions under the Oil-for-Food Program. That SOMO spreadsheet lists all surcharge payments ("returns") received by SOMO. The SOMO Spreadsheet appears to have been created and maintained by SOMO during the life of the Program (the "SOMO Spreadsheet").

SOMO also compiled a comprehensive review of surcharges after the fall of the Hussein regime. That document, a 41-page chart entitled "List of Surcharges," details the surcharge status of each oil contract during the surcharge period (Phases VIII through XII), listing (i) the pertinent Phase, (ii) the name of the purchasing entity, (iii) the contract number, (iv) the amount of oil lifted, (v) the rate of the surcharge, (vi) the amount of the surcharge owed, (vii) the amount of the surcharge paid by the purchaser, and (viii) any outstanding balance. (the "SOMO Surcharge Chart"). The IIC appears to have relied on the Surcharge Chart in its Interim Report. See IIC Report, footnote 292.

#### A. Zureikat Delays Payment of Surcharges for Contract M/08/35

Evidence obtained by the Subcommittee indicates that SOMO demanded a 10-cent-per-barrel surcharge for each of the 2,645,064 barrels lifted pursuant to Contract M/08/35, resulting in a surcharge owed of \$264,505. SOMO records indicate that, after a delay of more than one year, Zureikat eventually paid the owed amount in full. That evidence is intertwined with evidence of subsequent surcharges, and therefore, is presented in chronological order below.

#### B. Surcharges of \$304,320.90 in Connection with M/9/23

The Surcharge Chart indicates that the agreed-upon surcharge for Contract M/09/23 was 30 cents per barrel.<sup>187</sup> The Chart also indicates that the surcharges owed for this contract amounted to \$304,320.90. Finally, the Chart shows that the entire amount was paid in full. The Subcommittee was unable to obtain credible evidence concerning the payment of these surcharges.

#### C. Zureikat Pays Surcharges of \$247,352.50 for Contract M/9/118

##### 1. Zureikat Makes a "Down Payment" of \$60,000

On April 19, 2001, Taurus Petroleum transferred \$60,000 to Zureikat's Citibank account. This wire is reflected in a confirmation sheet obtained by the Subcommittee.<sup>188</sup> That wire record indicates that Taurus transferred \$60,000 and that Citibank deducted fees of \$33.50, making a total credit to Zureikat's account of \$59,966.50. A second document, the Citibank Statement, confirms an incoming transfer to Zureikat's account of \$59,966.50 on April 19, 2001.<sup>189</sup> The

<sup>184</sup> Taha Yasin Ramadan interview (Apr. 18, 2005).

<sup>185</sup> *Id.*

<sup>186</sup> Amer Rashid interview (Apr. 14, 2005).

<sup>187</sup> Surcharge Chart (excerpt). (Ex. 62).

<sup>188</sup> Citibank wire transfer confirmation, Citibank OFF – 0000012. (Ex. 70).

<sup>189</sup> Citibank Statement, page 5, Citibank OFF – 00005 (reflecting an "Incoming Telex Transfe[r]" of \$59,966.50 on April 19, 2001). (Ex. 20).



Citibank Statement indicates that those funds were posted to the account after a four-day clearance period, meaning that Zureikat would have access to those funds starting April 23, 2001.

On the first day that those funds were available – April 23, 2001 – Zureikat withdrew \$59,000 in cash.<sup>190</sup> That same day, Zureikat made a surcharge payment of \$60,000 to the Hussein regime.<sup>191</sup> The SOMO Spreadsheet reveals that, on April 23, 2001 – the day that Zureikat withdrew \$59,000 in cash – Zureikat deposited a surcharge of \$60,000.<sup>192</sup>

A second SOMO document indicates that the \$60,000 payment was in fact a “down payment” for the future surcharges owed in connection with M/09/118. That document is a letter from SOMO requesting approval from the Oil Minister for Contract M/09/118.<sup>193</sup> SOMO described the terms of M/9/118, and in Item 11 of the letter, SOMO discussed the status of Zureikat’s surcharge payments. In that paragraph, SOMO indicated that Zureikat had already made a “down payment” of \$60,000 toward the future surcharges for this contract:

**11 – Surcharge: the company made a down payment of 10% of (60) thousand dollars ... the remaining sum (90% of it) will be paid within 30 days after loading.**

After discussing Zureikat’s down payment for his Phase IX surcharge, SOMO also referred to Zureikat’s outstanding surcharge for Phase VIII, related to Contract M/08/35:

**(The settlement of the sum that Mr. Fawaz Zureikat owes for the contract of Aredio Company, totaling \$264,505 ... has been postponed as per the verbal instructions of your Excellency).**

Therefore, this SOMO letter confirms that Zureikat made a “down payment” of \$60,000 toward the future surcharges for M/9/118, and that the Oil Minister granted Zureikat an extension on the deadline to pay the \$264,505 in surcharges owed for M/08/35.

## **2. Zureikat Pays Additional Surcharges of \$187,252.50 for Contract M/09/118**

On July 15, 2001, Zureikat withdrew \$190,000 from his Citibank account in cash. On that same day – July 15, 2001 – Zureikat made a surcharge payment of \$187,183 to SOMO. That payment was captured in the SOMO Spreadsheet, which indicates that MEASI deposited \$187,183 for SOMO as a surcharge for M/09/118.<sup>194</sup>

DATE	ZUREIKAT WITHDRAWALS (FROM CITIBANK ACCOUNT)	SURCHARGES PAID FOR M/09/118 (FROM SOMO RECORDS)
April 19, 2001	\$59,000	\$60,000
July 15, 2001	\$190,000	\$187,183

The spreadsheet also indicates that, after the \$60,000 advance and the \$187,183 payment, Zureikat carried an outstanding surcharge balance of \$169.50 for M/09/118. That minor balance was satisfied, according to the SOMO spreadsheet, by a payment from MEASI on November 11, 2001. As a result, this spreadsheet indicates that Zureikat made improper surcharge payments of precisely \$247,352.50 in connection with Contract M/09/118.

That figure – \$247,352.50 – is entirely consistent with the information contained in the SOMO Surcharge Chart. The entry on the Surcharge Chart for Contract M/09/118 confirms that the contracting company, MEASI, purchased 990,610 barrels of oil under that contract. The chart also indicates that the “Surcharge As Agreed” was 25 cents per barrel, resulting in a surcharge owed of \$247,652.50. The chart then states, under the heading “Amount Paid,” that Zureikat’s company paid \$247,352.50 in surcharges for M/09/118. That figure matches with the

<sup>190</sup> Citibank Statement, page 5, Citibank OFF – 00005 (reflecting an “S/A FCY Cash Withdrawal[]” of \$59,000 on April 23, 2001). (Ex. 20).

<sup>191</sup> SOMO Spreadsheet (excerpt indicating surcharge payment on April 23, 2001 of \$60,000 deposited by “Middle East Advanced Semi Conductor”). (Ex. 63).

<sup>192</sup> SOMO Spreadsheet (MEASI excerpt). (Ex. 63).

<sup>193</sup> Letter of Saddam Zeben Hassan to the Oil Minister (May 8, 2001). (Ex. 64).

<sup>194</sup> SOMO Spreadsheet (MEASI excerpt). (Ex. 63).

information contained in the SOMO Spreadsheet, which also reflected surcharge payments for M/09/118 totaling \$247,352.50.<sup>195</sup>

#### **D. Zureikat Pays Surcharges of \$825,000 for Contract M/10/38**

Evidence obtained by the Subcommittee confirms that Zureikat paid more than \$825,000 in surcharges in connection with M/10/38. Zureikat's willingness to pay the surcharge is reflected in SOMO's request to the Oil Minister for approval of the contract. In that letter, SOMO indicated that Zureikat agreed to pay the surcharge within 30 days of the oil liftings, stating: "Surcharge: payable within (30) days after loading."<sup>196</sup>

As noted above, the Hussein regime raised the surcharge rate in Phase X to 30 cents per barrel of oil shipped to the United States, and 25 cents per barrel of oil shipped elsewhere in the world. These surcharge rates were paid with respect to the shipments for M/10/38. The first M/10/38 shipment was the export of 1,002,767 barrels for a European destination.<sup>197</sup> Applying the 25-cent-per-barrel surcharge rate, the surcharge owed for this shipment was \$250,691.75. According to the SOMO Spreadsheet, Zureikat paid almost exactly that amount – \$250,522.25 – to SOMO on November 12, 2001.<sup>198</sup>

While Zureikat slightly under-paid the surcharges for the first shipment, he actually overpaid the surcharges owed for the second M/10/38 shipment. That shipment consisted of 1,917,528 barrels exported to the United States. Because this shipment was destined for U.S. ports, the 30-cent surcharge rate applied, and Zureikat owed surcharges of \$575,258.40. The SOMO Spreadsheet confirms that, on December 4, 2001, Zureikat transferred \$575,300 to SOMO to satisfy his surcharge debt for M/10/38.<sup>199</sup>

Therefore, according to the SOMO Spreadsheet, Zureikat paid \$825,822.25 in surcharges to the Hussein regime in connection with M/10/38. Notably, the SOMO Surcharge Chart further confirms that Zureikat paid surcharges of \$825,822.25 in connection with M/10/38.<sup>200</sup>

#### **E. Zureikat Pays Overdue Phase VIII Surcharges**

As of December 2001, more than one year after the oil for M/08/35 had been lifted, Zureikat still had not paid his outstanding surcharge balance of \$264,505 for that contract. As a result, on December 11, 2001, the Minister of Oil directed SOMO to reject further "proposals" from Zureikat until he satisfied his surcharge obligations. That instruction was captured in a letter from SOMO to the Minister of Oil, in which SOMO directly refers to Zureikat's outstanding balance for the Phase VIII contract:

**Surcharge: As per the instructions of your Excellency over the phone on 12/11/2001 of not accepting the company's proposals [referring to Zureikat's company, MEASI] unless they pay the debt incurred since phase eight.<sup>201</sup>**

On December 18, 2001, just a few days after the Oil Minister threatened to discontinue Zureikat's future oil contracts, a wire transfer of \$264,000 went to an account at Jordan National Bank, one of banks at which Zureikat maintained an account.<sup>202</sup> Two days later, on December 20, 2001, Zureikat transferred that precise amount – \$264,000 – as a surcharge payment to SOMO. That payment was captured in the SOMO Spreadsheet, which indicates that, on December 20, 2001, "Middle Eastern Co. for Semi Conductors" paid \$264,000 to SOMO to

<sup>195</sup> The SOMO Surcharge Chart also indicates that Zureikat still owed \$300 in surcharges for that contract. (Ex. 65). It is unclear whether that outstanding balance was ever satisfied.

<sup>196</sup> Letter from Saddam Zebe Hassan to the Oil Minister (Aug. 14, 2001). (Ex. 41).

<sup>197</sup> SOMO Commercial Invoice No. C/124/2001 (Sept. 9, 2001). (Ex. 42).

<sup>198</sup> SOMO Spreadsheet (excerpt). (Ex. 63).

<sup>199</sup> *Id.*

<sup>200</sup> Surcharge Chart (excerpt). (Ex. 66). Notably, the Surcharge Chart also indicates that Zureikat maintained an outstanding surcharge balance of \$127.90 for that contract.

<sup>201</sup> Letter of Ali Rajab Hassan to the Oil Minister (Dec. 19, 2001). (Ex. 49).

<sup>202</sup> BNP Paribas wire transfer confirmation, BSPA-015-0001-00002 (Dec. 18, 2001) (reflecting wire transfer of \$264,000 to Jordan National Bank account); American Express wire transfer confirmation (Dec. 18, 2001) (reflecting wire transfer of \$264,000 to Jordan National Bank account). (Ex. 67) (composite). These records indicate that the source of the funds was an account at BNP Paribas and that American Express acted as a correspondent bank for the transfer.

cover surcharges owed on M/08/35.<sup>203</sup> The spreadsheet also indicates that the remaining \$505 was paid by an individual named “Muris Risly” four months later, on March 5, 2002. In total, the SOMO Spreadsheet indicates that Zureikat paid \$264,505 in surcharges for Contract M/08/35.

As further corroboration, the SOMO Surcharge Chart also reflects that surcharges of \$264,505 had been paid in connection with Contract M/08/35.<sup>204</sup> The Chart’s entry for Contract M/08/35 confirms that 2,645,068 barrels of oil were lifted in connection with that contract. Next, the chart reveals the “Surcharge per Agreement” was 10 cents per barrel. The amount owed, according to the chart, was \$264,505. Finally, the chart indicates that the surcharge was paid in full.

Surcharges Paid for M/08/35 (SOMO Surcharge Chart)	Surcharges Paid for M/08/35 (SOMO Spreadsheet)
\$264,505	\$264,505

#### F. Zureikat Agrees to Pay Surcharges in Phases XI and XII

SOMO records reflect that, for the oil contracts in Phases XI and XII, Zureikat agreed to pay surcharges. For instance, the SOMO Surcharge Chart indicates that Zureikat agreed to pay a 30 cent surcharge for Contract M/11/04.<sup>205</sup> Under the column “Surcharge As Agreed,” the Chart reads “0.30,” indicating that Zureikat agreed to pay a surcharge of 30 cents for each barrel of oil lifted. The Chart also indicates that Zureikat did not pay any surcharges in connection with that contract. Likewise, the SOMO Spreadsheet, which lists all payments related to any oil transaction under the Program, does not include any surcharge payments for that contract.

Like the Phase XI contract, Zureikat agreed to pay surcharges for the Phase XII contract, M/12/14. SOMO requested approval of that contract from the Oil Minister in a letter dated June 4, 2002. In that letter, SOMO indicated that Zureikat was obligated to pay the applicable surcharges within 30 days of loading, stating: “Surcharge: payable within (30) days from the date of loading.”<sup>206</sup> Despite Zureikat’s apparent agreement to pay surcharges, however, SOMO records do not contain any indication that surcharges were in fact paid in connection with this contract.

### VI. FINDINGS RELATING TO GALLOWAY AND ZUREIKAT

#### A. Findings Related to George Galloway

Based on the evidence presented in this Report, the Majority staff of the Subcommittee finds that: (1) Galloway knowingly made false or misleading statements under oath to the Subcommittee; and (2) Galloway’s political campaign – the Mariam Appeal – received large “donations” from Fawaz Zureikat derived from profits made through oil transactions conducted under the Oil-for-Food Program.<sup>207</sup>

##### 1. Galloway Knowingly Gave False or Misleading Testimony to the Subcommittee

The Subcommittee has gathered extensive documentary and testimonial evidence demonstrating that several statements made by Galloway under oath at the Subcommittee’s hearing on May 17, 2005 were false or misleading. In Galloway’s opening statement and in response to questioning from Members of the Subcommittee, Galloway denied the findings contained in the Subcommittee’s initial report relating to evidence that he had received oil allocations from the Hussein regime. Specifically, Galloway made the following statements denying that he had personally profited from any Oil-for-Food transaction:

**I can assure you, Mr. Zureikat never gave me a penny from an oil deal,  
from a cake deal, from a bread deal, or from any deal.**

\* \* \*

<sup>203</sup> SOMO Spreadsheet.

<sup>204</sup> SOMO Surcharge Chart (excerpt). (Ex. 68).

<sup>205</sup> SOMO Surcharge Chart (excerpt). (Ex. 69).

<sup>206</sup> Letter from Ali Rajab Hassan to the Oil Minister (June 4, 2002). (Ex. 54).

<sup>207</sup> This Report does not analyze (a) Galloway’s testimony under oath to the British court in his lawsuit against *The Daily Telegraph*, or (b) Galloway’s conduct in light of the rules and obligations of a Member of the United Kingdom House of Commons. See Appendix F for a brief review of those subjects.

**My point is, you have accused me personally of enriching myself, of taking money from Iraq, and that is false and unjust.**

The evidence collected by the Subcommittee, however, demonstrates that Galloway, through his wife, was personally enriched by an Oil-for-Food deal. On at least one occasion, money generated by an Oil-for-Food transaction was transferred from Fawaz Zureikat to a bank account in the name of Galloway's wife, Dr. Amineh Abu-Zayyad. Specifically, the Subcommittee obtained documentation confirming that \$149,980 was transferred from a Citibank account in the name of "Mr. Fawaz Abdullah Zureikat" and credited to the account of "Amina Naji Abu Zayyad" at the Arab Bank Plc in Amman, Jordan on August 4, 2000. As such, Galloway's testimony to the Subcommittee that he was never given "a penny" from an oil deal or was not personally enriched from such a deal was misleading, if not knowingly false.

During his opening statement Galloway denied ever having been directly or indirectly involved in the solicitation or trading of oil, and denied that any person had done so on his behalf:

**Mr. Galloway. Senator, I am not now, nor have I ever been, an oil trader, and neither has anyone on my behalf. I have never seen a barrel of oil, owned one, bought one, sold one, and neither has anybody on my behalf.**

Galloway further denied that he had never discussed oil allocations at any time with Deputy Prime Minister Tariq Aziz:

**Senator Levin. ... Did you have conversations with Tariq Aziz about the award of oil allocations? That is my question.**

**Mr. Galloway. No.**

The Subcommittee interviewed Tariq Aziz at length regarding his conversations with Galloway. Aziz stated that he had indeed discussed oil allocations with Galloway. Aziz also confirmed the authenticity of the IIS Letter, which described in great detail Galloway's efforts to secure funding for his political activities with the Mariam Appeal through oil allocations.

The Subcommittee also interviewed several other senior Hussein regime officials, including Vice President Taha Yasin Ramadan, Minister of Oil Amer Rashid, and Presidential Advisor Ali Hasan al-Majid. Ramadan stated that Galloway "always spoke out against the sanctions," "needed to be compensated for his support," and, "we gave him oil to sell to make the money." Hasan authenticated the two-page letter from Izzat Ibrahim to the President's Office that listed the Committee of Four's recommendations to continue its financial support of Galloway. As such, Galloway's testimony to the Subcommittee that he did not discuss oil allocations with Aziz at any time and that no person ever traded oil on his behalf was false or misleading.

Galloway also testified that he had no knowledge that his friend, Fawaz Zureikat, was transacting oil deals on his behalf in Iraq. Specifically, Galloway answered a line of questions put to him by Senator Coleman as follows:

**Senator Coleman. I am asking you specifically, in 2001 were you aware that he [Fawaz Zureikat] was doing deals with Iraq?**

**Mr. Galloway. I was aware that he was doing extensive business with Iraq. I did not know the details of it. It was not my business.**

\* \* \*

**Senator Coleman. ... So in 2003, you are saying you do not know the answer to whether he was involved in oil deals?**

**Mr. Galloway. I told you in my previous two answers, I knew that Mr. Zureikat was heavily involved in business in Iraq and elsewhere but that it was none of my business what particular transactions or business he was involved in ...**

\* \* \*

**Senator Coleman. ... you never had a conversation with him in 2001 of whether he was ever doing oil business with Iraq?**

**Mr. Galloway. ... I never asked him if he was trading in oil.**

\* \* \*

**Senator Coleman.** So in 2003 when you said you did not know whether he was doing oil deals, were you telling the truth at that time?

**Mr. Galloway.** Yes, I was. I have never known until the *Telegraph* story appeared that he was alleged to be doing oil deals.

The evidence gathered by the Subcommittee, however, suggests that Galloway was well aware that Zureikat was conducting oil transactions on his behalf. The IIS Letter, dated January 3, 2000 and authenticated by Tariq Aziz, indicates that Galloway and Zureikat met with an IIS officer on December 26, 1999 to discuss, among other subjects, a request to increase the amount of oil that had been allocated to them by Aziz. Galloway has confirmed that Zureikat acted as his representative in Iraq for all matters relating to the Mariam Appeal. Aziz verified that Zureikat was Galloway's business representative in Iraq and conducted oil transactions for the purpose of raising funds for the Mariam Appeal. Zureikat's commercial activities relating to the oil allocations granted to Galloway stretched from 2000 through 2003. A significant number of Zureikat's commercial activities resulted in large payments to both Galloway's wife (approximately \$150,000) as well as his political campaign, the Mariam Appeal (\$446,000).

As such, Galloway's testimony to the Subcommittee that he was unaware of the details of Zureikat's business dealings in Iraq was misleading or false. Additionally, Galloway's testimony that he did not know until April 2003 (when the articles in *The Daily Telegraph* were published) that Zureikat had been engaged in oil deals in Iraq was also misleading or false.

## 2. Galloway's Political Campaign – the Mariam Appeal – Received Funding from Oil Deals Made Under the Oil-for-Food Program

Galloway's political campaign, the Mariam Appeal, received at least \$446,000 in connection with the oil allocations granted to Galloway and the Mariam Appeal under the Oil-for-Food Program.<sup>208</sup> For example, in connection with Contract M/08/85 – an oil deal made possible by the granting of an oil allocation to Galloway – Zureikat ultimately transferred \$340,000 into the Mariam Appeal account at Lloyds TSB. Zureikat made several additional "donations" to the Mariam Appeal relating to oil deals resulting from the oil allocations granted to Galloway throughout the course of the Oil-for-Food Program:

PAYMENTS MADE BY ZUREIKAT TO THE MARIAM APPEAL ACCOUNT AT LLOYDS TSB RELATED TO OIL-FOR-FOOD CONTRACTS		
PHASE	CONTRACT NUMBER	PAYMENT TO MARIAM APPEAL
VIII	M/08/35	\$340,000
IX	M/09/118	\$30,000
X	M/10/38	(approx) \$56,000
XI	M/11/04	\$20,000
<b>TOTAL:</b>		<b>\$446,000</b>

## B. Findings Related to Fawaz Zureikat

The evidence gathered by the Subcommittee indicates that Zureikat made improper "surcharge" payments to the Hussein regime amounting to \$1,642,000.65 in connection with the oil deals under the Oil-for-Food Program that resulted from oil allocations granted by the Hussein regime to Galloway and the Mariam Appeal.

<sup>208</sup> In addition to the approximately \$446,000 in payments to the Mariam Appeal known to be connected to oil transactions, Zureikat made an additional \$230,000 in deposits to the Mariam Appeal over the course of the Oil-for-Food Program. It is possible that those additional funds were made by Zureikat as a result of Oil-for-Food contracts for humanitarian goods.

TABLE OF SURCHARGES PAID BY FAWAZ ZUREIKAT					
PHASE	CONTRACT NUMBER	ALLOCATION VOLUME (MILLION BARRELS)	NOMINAL ALLOCATION RECIPIENT	CONTRACTING ENTITY	SURCHARGES PAID
VIII	M/08/35	4	Fawaz Zureikat	Aredio Petroleum	\$264,505.00
IX	M/09/23	1	Fawaz Zureikat	Aredio Petroleum	\$304,320.90
IX	M/09/118	2	Fawaz Zureikat	MEASI	\$247,352.50
X	M/10/38	3	Fawaz Zureikat	MEASI	\$825,822.25
XI	M/11/04	3	Fawaz Zureikat	MEASI	Unknown
XII	M/12/14	3	Fawaz Zureikat	MEASI	Unknown
TOTAL SURCHARGES PAID:					\$1,642,000.65

◆ ◆ ◆

## APPENDIX A

## SUBJECT: THE OIL ALLOCATION PROCESS UNDER THE HUSSEIN REGIME

Under the Oil-for-Food Program, Iraq was permitted to sell its oil and use those proceeds to purchase food, medicines, and other humanitarian goods. Despite the Program's intentions, the Hussein regime quickly exploited the Program for its own political purposes. One of its chief manipulations was the utilization of "oil allocations" to garner political influence around the globe.

To understand how the Hussein regime manipulated these oil transactions, one must begin with how Iraq sold its crude oil under the Program. The arm of the Iraqi government that managed the sale of Iraqi crude oil was the State Oil Marketing Organization ("SOMO"). In order to manage the volume of oil flowing through its pipelines, Iraq divided its oil supply into discrete units, typically ranging from one to 10 million barrels. It then allocated these units to prospective oil purchasers, essentially giving those recipients an option to purchase that allotment of oil. These options were typically called "allocations." Assuming that SOMO and the purchaser could agree on other contractual terms, such as the loading schedule, the purchaser would contract with SOMO and proceed to buy the oil from Iraq. The Iraqis repeated this allocation process for each of the 13 six-month phases of the Program.

The recipients of oil allocations were determined by an Iraqi Oil-for-Food committee composed of senior Iraqi officials, including Deputy Prime Minister Tariq Aziz and Minister of Oil Amer Rashid.<sup>209</sup> The committee was led by the Vice President of Iraq, Taha Yasin Ramadan.<sup>210</sup> Every six months, the committee would meet to review the allocations and make decisions concerning allocations for the upcoming phase.<sup>211</sup> The Hussein regime used these lucrative allocations to further its primary political struggle – ending U.N. sanctions. To that end, the Hussein regime primarily favored those individuals and entities from countries on the U.N. Security Council. Senior Hussein regime officials and numerous Ministry of Oil documents confirm that the regime steered a massive portion of its allocations toward Security Council members that were believed by the Hussein regime to support Iraq in its efforts to lift sanctions – namely, Russia, France, and China.<sup>212</sup>

The committee would, however, evaluate "special requests" made by certain individuals around the world who were soliciting allocations.<sup>213</sup> The principal criterion for granting the "special requests" – *i.e.*, granting an oil allocation – was the individual's support for Iraq.<sup>214</sup> Generally, these secret oil allocations were awarded to "[d]ifferent personalities and parties" and "were labeled 'special allocations' or 'gifts.'"<sup>215</sup> According to the Duelfer Report, such "special requests" were granted to international political leaders, U.N. officials, and political parties.<sup>216</sup> Once the committee determined the allocations for the upcoming phase, Vice President Ramadan would generally discuss the allocations with Saddam Hussein, who had the final approval.<sup>217</sup>

<sup>209</sup> Tariq Aziz interview (Apr. 21, 2005); Taha Yasin Ramadan interview (Apr. 18, 2005); Amer Rashid interview (Apr. 14, 2005).

<sup>210</sup> Taha Yasin Ramadan interview (Apr. 18, 2005); Amer Rashid interview (Apr. 14, 2005).

<sup>211</sup> *Id.*

<sup>212</sup> Tariq Aziz interview (Apr. 21, 2005); Taha Yasin Ramadan interview (Apr. 18, 2005) (describing a "priority list" of countries that were supportive of Iraq and were granted preferential treatment in oil allocations); *Comprehensive Report of the Special Advisor to the DCI on Iraq's WMD* (Sept. 30, 2004), Volume 1 ("Duelfer Report"), p. 31.

<sup>213</sup> Taha Yasin Ramadan interview (Apr. 18, 2005).

<sup>214</sup> *Id.*

<sup>215</sup> Duelfer Report, p. 30.

<sup>216</sup> Duelfer Report, p. 30-31; *See also* Interim Report of the IIC (Feb. 3, 2003), at 125 (noting the increase over time in the number of special oil allocations "for the benefit of particular individuals or entities that were perceived to support or be politically favorable to Iraq").

<sup>217</sup> Taha Yasin Ramadan interviews (Apr. 18, 2005, Sept. 27, 2005).

By granting the rights to purchase oil to a limited number of individuals and entities, the regime forced oil purchasers to obtain allocations from those favored few. The allocation holders essentially became gatekeepers to Iraqi oil. As gatekeepers, they demanded a “commission,” which typically ranged from 3 to 30 cents per barrel. In light of the fact that most allocations amounted to millions of barrels of oil, such commissions were quite lucrative, reaching hundreds of thousands of dollars per allocation. Therefore, these allocations were extremely valuable, and by doling them out to favored individuals and entities, the Hussein regime could direct the payment of millions of dollars to a foreign official, political party, or journalist without incurring any loss.

In order to link the allocation grantees with the resultant oil contracts, SOMO developed a practice of identifying the allocation grantees with the contracting companies on its charts, letters and internal correspondence. The Interim Report of the Independent Inquiry Into the United Nations Oil-for-Food Programme (“IIC”) describes SOMO’s practice:

**At first, SOMO’s records primarily reflected only the names of the companies designated to purchase the oil, rather than the names of any individual beneficiaries of allocations. In time, however, this practice caused confusion for the administrators processing the oil contracts, and they requested that the intended beneficiaries of the oil allocations be identified in the paperwork to facilitate the tracking and handling of the allocations and contracts. Consequently, later in the Programme, SOMO increasingly began to include the names of those beneficiaries of allocations in its crude oil contract tables. Just as SOMO’s crude oil allocation tables reflected the names of these intended beneficiaries, related correspondence, memoranda, and records within SOMO’s files identified the names of those beneficiaries.<sup>218</sup>**

According to the former Minister of Oil, SOMO typically identified the allocation beneficiary in its charts, correspondence, and internal memoranda by stating the name of the purchasing entity and placing the name of the allocation recipient in parentheses.<sup>219</sup>

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<sup>218</sup> Interim Report of the IIC (Feb. 3, 2003), at 125-6 (citations omitted).

<sup>219</sup> Amer Rashid interview (April 14, 2005).



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**APPENDIX B**

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**SUBJECT:** SUBCOMMITTEE ATTEMPTS TO CONTACT AND INTERVIEW CERTAIN WITNESSES

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**George Galloway**

The Subcommittee sent Mr. Galloway a letter on October 3, 2005 requesting an interview. The letter indicated that Subcommittee staff was prepared to fly to London to conduct the interview. On October 13, 2005, Mr. Galloway declined to be interviewed, but expressed a willingness to respond to written questions. The Subcommittee submitted written questions to Mr. Galloway on October 14, and Mr. Galloway supplied responses on October 17.

**Dr. Amineh Abu-Zayyad**

Subcommittee staff communicated directly with Sabah Al-Mukhtar, a representative of Dr. Abu-Zayyad, by telephone and e-mail. Staff provided questions for Dr. Abu-Zayyad on Tuesday, October 18. Mr. Al-Mukhtar confirmed the receipt of these questions on October 19. On October 24, 2005, the Subcommittee received a blanket denial from Dr. Abu-Zayyad. Dr. Abu-Zayyad declined to answer any of the specific interrogatories sent to her by the Subcommittee.

**Dr. Burhan al-Chalabi**

On October 3, Subcommittee staff sent a letter via Federal Express to Dr. Chalabi requesting an interview. Federal Express confirmed that the letter was received at Dr. Chalabi's business address and signed for by a "K. Kelly" on October 5. Subcommittee staff attempted to communicate with Dr. Chalabi on several occasions. Subcommittee staff left detailed voice messages for Dr. Chalabi on September 26, October 6, and October 12. To date the Subcommittee has not been contacted by Dr. Chalabi.

**Fawaz Zureikat**

Subcommittee staff attempted to communicate with Fawaz Zureikat on several occasions. Subcommittee staff sent a letter requesting an interview via Federal Express on October 3 to Fawaz Zureikat at his business address, Middle East Advanced Semiconductor, Inc. Federal Express confirmed that the letter arrived and was signed for by "Mohamad" on October 6. Subcommittee staff also sent this letter to Zureikat via e-mail on September 28. Subcommittee staff attempted to reach Zureikat via phone on four separate occasions to no avail. Staff received either a busy signal or a continual ring. In addition, October 19, Subcommittee staff reached Neal J. Zureikat, a nephew and employee of Fawaz Zureikat, and left a detailed message with him. Neal Zureikat indicated that he would deliver the message to Zureikat. To date the Subcommittee has not been contacted by Fawaz Zureikat.

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## APPENDIX C

**SUBJECT:** DISTINCTION BETWEEN THE DOCUMENTS USED BY THE SUBCOMMITTEE AND THE DOCUMENTS PUBLISHED IN *THE DAILY TELEGRAPH* AND *THE CHRISTIAN SCIENCE MONITOR*

In its investigation into the Oil-for-Food Program, the Subcommittee has relied upon documents from multiple sources, including documents obtained from the Iraqi State Oil Marketing Organization (“SOMO”). The May 12, 2005 Subcommittee report relating to Galloway (“the May 12 Report”) stated that the SOMO documents were different and distinct from those featured in articles published by *The Daily Telegraph* in April 2003. In explaining the differences between the SOMO documents and the documents featured in the *Telegraph*, the May 12 Report stated that the *Telegraph* documents “included correspondence from 1992 and 1993.” The May 12 Report also stated that the documents were “seemingly forged.” Finally, the May 12 Report stated that the *Telegraph* documents “included allegations that Galloway was on the payroll of the Hussein regime, receiving a salary or direct payments.”

The May 12 Report conflated the contents of the *Telegraph* documents with the contents of documents reported on in *The Christian Science Monitor* in April 2003, which indeed “included correspondence from 1992 and 1993,” were “seemingly forged,” and “included allegations that Galloway was on the payroll of the Hussein regime, receiving a salary or direct payments.”

In fact, the documents featured by the *Telegraph* dated from December 1999 through May 2000, and did not contain correspondence from 1992 and 1993. The *Telegraph* documents were not “seemingly forged” (nor is there any evidence to date that the *Telegraph* documents were forged). To the contrary, as presented in the report to which this Appendix is attached, senior Hussein regime officials – including former Deputy Prime Minister Tariq Aziz – have confirmed the authenticity of the *Telegraph* documents as well as the veracity their contents.

The authenticity of the documents published by the *Telegraph* was not at issue in the libel lawsuit brought by Galloway. Instead, Galloway claimed that the *Telegraph* did not provide him with an adequate opportunity to respond to the allegations prior to the publication of their stories. Galloway also claimed that the total effect of the *Telegraph*’s extensive coverage of the issues surrounding the documents had a defamatory effect.

A further explanation of the distinction between the documents published by *The Daily Telegraph* and those published by *The Christian Science Monitor* follows.

Documents Discovered by a Reporter from *The Daily Telegraph*:

On Saturday, April 19, 2003 a foreign correspondent for *The Daily Telegraph* named David Blair was in Baghdad reporting on the post-war situation.<sup>220</sup> Blair, along with a hired interpreter, entered the Ministry of Foreign Affairs with the hope of finding documents relating to British Prime Minister Tony Blair. The Ministry was abandoned and unguarded, and there were looters going in and coming out. After some initial exploration, Blair came across a room that was filled with filing boxes stacked on the floor and on tiers of metal shelves. Blair estimates that there were over 200 such boxes in the room. Each box had a small label in Arabic. Blair had his translator go through the boxes reading off the labels. Many of the boxes were labeled by country, and eventually the translator came across two boxes labeled “Britain” and one box labeled “Britain and France.” Flipping through one of the binders from one of the “Britain” boxes, Blair found one page that was written in English. This turned out to be the “To Whom it May Concern” letter from Galloway naming Zureikat as his representative on all matters relating to the Mariam Appeal. Blair and his translator took the three boxes and a few loose binders and returned to Blair’s hotel room. Once back at the hotel, Blair had his translator go through the binders one by one and translate the gist of each document. Most of the documents were routine correspondence and memoranda that one would expect to cross the desk

<sup>220</sup> The facts surrounding the discovery of the documents are taken from the witness statement of David Blair in the case of *George Galloway v. Telegraph Group Ltd.*, Case No. HQ03X02026 (“Telegraph Lawsuit”).

of the Iraqi foreign minister. Having found nothing more of interest, Blair instructed his translator to go home for the day.

The next day, April 20, Blair and the translator returned to the Ministry of Foreign Affairs and back to the room with the stacks of orange boxes. Blair instructed the translator to look for boxes labeled "France." The translator found one quickly and they left the ministry. Returning to his hotel, Blair and the translator again leafed through the folders looking for documents of interest. It was during this time when the translator discovered the January 3, 2000 letter written by the head of the Iraqi Intelligence Service ("IIS"). Blair had the IIS letter translated and then had the translator identify a handful of other documents relevant to the IIS letter.

Blair considered the possibility that the IIS letter and other relevant documents had been forged. In the end, however, Blair believed that the circumstances in which he and his translator had discovered the documents favored their authenticity:

... I thought that it would have been an extraordinarily elaborate exercise to forge this intelligence memorandum running to several pages, not to mention Tariq Aziz's letter and Mr Galloway's signed letter appointing Mr Zureikat to act for him. Someone would have had to get hold of the right type of paper and forge a signature that matched those that appeared on other documents in that folder. They would have had to take that forged document into the foreign ministry, [and] find this particular folder in this particular filing-box ....

Then they would have had to take the folder apart and insert the document into the middle of it – in correct chronological sequence with the other documents, re-bind the folder (using an identical single-bowed knot) and then place it back in the filing-box in the room. There was a hand-written index at the start of the folder where the documents I refer to above were located listing all the documents in it. What I did not know at the time but discovered subsequently was that the document initially stapled at the front of the intelligence chief's memorandum was referred to on this index, so any forger would have had to forge this [the index] too.<sup>221</sup>

Several articles based on the IIS letter and other relevant documents were published soon afterwards in the *Telegraph*.

Blair and his translator returned to the Ministry of Foreign Affairs on April 22. At that time, the ministry was guarded by armed men who were members of the Free Iraqi Forces, a militia attached to the Iraqi National Congress. The men initially refused to allow Blair entry, but he was allowed in several hours later when he returned with two TV crews and a freelance photographer, Heathcliff O'Malley. O'Malley took photographs tracing Blair's route to the room that contained the boxes of documents and took photographs of the room itself. Blair did not attempt to remove any documents from the ministry that day. O'Malley took photographs of the key documents back at Blair's hotel room. Blair took all of the key documents and binders with him when he left Baghdad for London on April 25. The documents remain in the custody of the *Telegraph*.

#### Documents Reported Upon by *The Christian Science Monitor*:

The documents that *The Christian Science Monitor* reported on in April 2003 differ in many respects from those discovered by David Blair and reported on in *The Daily Telegraph*. *The Christian Science Monitor* ("CSM") documents, obtained in Iraq by a reporter named Philip Smucker, indicated direct payments of more than \$10 million to Galloway.<sup>222</sup> As reported in the April 25, 2003 edition of the CSM, the documents included direct orders from the Hussein regime to issue Galloway six separate payments, starting in July 1992 and ending in January 2003. According to the article, these documents were taken from a Baghdad house purported to have been used by Saddam Hussein's son Qusay. The documents were provided to Smucker by a purported Iraqi general named Salah Abdel Rasool only after Smucker agreed to pay Rasool's neighbor \$800 to translate the documents.

<sup>221</sup> Witness statement of David Blair from the *Telegraph* Lawsuit at ¶¶ 49-50.

<sup>222</sup> The facts relating to the documents published by *The Christian Science Monitor* are taken from two articles; Philip Smucker, *Newly found Iraqi files raise heat on British MP*, *Christian Science Monitor*, Apr. 25, 2003, and *Galloway papers deemed forgeries*, *Christian Science Monitor*, June 20, 2003.

The *CSM* articles detailed that the three most recent payment authorizations, beginning on April 4, 2000, and ending on January 14, 2003, were for \$3 million each. For example, the document dated January 14, 2003, was written on Iraqi Republican Guard stationery and indicated that a \$3 million “gratuity” was issued to Galloway in return for Galloway’s “courageous and daring stands against the enemies of Iraq.” This letter was purportedly signed by three Iraqi generals as well as Qusay Hussein himself. Another letter dated July 27, 1999, authorized a \$1 million dollar payment to Galloway as agreed upon by Qusay Hussein. The *CSM* articles also cited two letters detailing earlier payments to Galloway in July 1992 and October 1993. The October letter indicated a \$600,000 payment to Galloway via a representative of the directorate of the Iraqi Special Security Organization.

After the first *CSM* article appeared on April 25, 2003, an extensive investigation ensued stemming from a May 2003 article in *The Mail* newspaper. *The Mail* article disputed the authenticity of certain documents obtained by *The Mail* from Salah Abdel Rasool – the same person who was the source of *CSM*’s documents. The documents purchased by *The Mail* also purportedly showed payoffs to Galloway by the Hussein regime. After an examination by experts, *The Mail* concluded that the documents that it had purchased from Rasool were fake. Rasool also claimed to be in possession of documents “proving” that six of the 19 September 11 hijackers learned to fly in Iraq.

As a result of *CSM*’s investigation, the newspaper reported in June that the six documents detailed in its April 25 article were, in fact, forgeries. This conclusion was based on an examination of the documents using both textual analysis and a chemical analysis of the ink used on the documents. The June article, for example, indicated that Hassan Mneimneh of the Iraq Research and Documentation Project conducted a textual examination and compared the *Telegraph* documents to the *CSM* documents. After examining copies of the *Telegraph*’s documents, Mr. Mneimneh deemed them to be consistent with other authentic Iraqi documents he had seen, but he did not have the same conclusion for the *CSM* documents. Similarly, the article explained that the *CSM* documents simply could not have been prepared when their dates said they were made based on examination by an ink chemist.

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APPENDIX D

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**SUBJECT:** CONVERSATION BETWEEN GALLOWAY AND OIL TRADER #1 REGARDING OIL ALLOCATIONS

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After the “Big Ben to Baghdad” bus tour arrived in Iraq and soon after Galloway’s initial request to Aziz for oil allocations, Galloway engaged in a detailed conversation with an oil trader concerning oil allocations. That conversation, along with the negotiations that followed, indicates that Galloway understood the oil allocation process and was personally involved in the negotiation and sale of subsequent oil allocations. The oil trader in question, referred to as “Oil Trader #1” throughout this Report, was interviewed at length by the Subcommittee, and the account of his conversation with Galloway is presented below.<sup>223</sup>

**Background on Oil Trader #1**

Oil Trader #1 was an active participant in numerous oil transactions under the Oil-for-Food Program.<sup>224</sup> He described his role in those transactions as “primarily trying to obtain allocations” and “buying allocations.” In doing so, he had “negotiated many allocations with many different people.” He estimated that he had successfully purchased allocations from 12 to 15 different individuals or entities, and noted that the actual number of allocations purchased was far higher because some of those 12–15 allocation grantees had multiple allocations or “repetitive” allocations that continued from phase to phase. In total, Oil Trader #1 estimated that he had been involved in the purchase of 50–60 million barrels of crude oil under the Program, and he estimated that the value of that oil amounted to \$1–1.5 billion.

In searching for allocation holders, Oil Trader #1 spent a significant amount of time in Baghdad, traveling there every one or two months and staying for three to four weeks at a time. He would stay at the Rashid Hotel, “trying to get allocations.” During one of those stays at the Rashid Hotel, Oil Trader #1 encountered Galloway.

**Oil Trader #1 Discusses Oil Allocations with Galloway**

Oil Trader #1 stated that he first encountered Galloway while both men were eating at the hotel’s buffet. The encounter was not planned – they were simply seated next to each other in the restaurant, and happened to strike up a conversation. Although he cannot recall the precise date of the encounter, Oil Trader #1 remembered that the conversation occurred soon after Galloway arrived in Baghdad on the “Big Ben to Baghdad” bus tour in late 1999 because he recalled seeing Galloway’s highly decorated, London bus near the hotel. Oil Trader #1 had not met Galloway previously, but knew of him from the publicity associated with Galloway’s bus tour.

The oil trader described the ensuing conversation with Galloway as “cordial,” and covering a wide array of topics. At some point in the conversation, Galloway inquired as to what Oil Trader #1 was doing in Baghdad. According to the oil trader, when he informed Galloway that he was in Baghdad to buy oil allocations, Galloway grew quite interested in the conversation. Oil Trader #1 stated that Galloway was “particularly interested” in the process of “translating” oil allocations into commissions. Oil Trader #1 was “basically educating [Galloway] on how it worked,” explaining to Galloway the “modus operandi” of how oil allocations were monetized. Oil Trader #1 explained to Galloway that the allocations of oil were a method for the Hussein regime “to pay for lobby[ing] for the Iraqi cause.”

Oil Trader #1 stated that it was clear that either Galloway had already been granted, or he was going to receive an allocation of oil in the immediate future, saying: “He [Galloway] had

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<sup>223</sup> Oil Trader #1 requested confidential treatment of his identity because he feared retaliation, including serious bodily harm, for his cooperation with the Subcommittee’s investigation. In light of the genuine and reasonable concern for his safety, the Subcommittee staff has elected to honor his request and keep his identity confidential. In doing so, it should be noted that the use of confidential sources and informants is well-rooted in the Subcommittee’s history. See, e.g., S. Hrg. “Medicare Fraud Prevention: Improving the Medicare Enrollment Process” (Jan. 29, 1998); S. Hrg. “The Safety of Food Imports (Part 3): Fraud & Deception in the Food Import Process” (Sept. 10, 1998); S. Hrg. “Federal Government Security Clearance Programs” (Apr. 16-25, 1985).

<sup>224</sup> Oil Trader #1 interview (Aug. 31, 2005).

something in hand – he was going to have or already had it.”<sup>225</sup> At some point in the conversation, Galloway posed a hypothetical, inquiring how, if he were granted an allocation, he would translate that into commission payments. Oil Trader #1 “got the impression that [Galloway] had already had a meeting” in which he was offered an allocation, but stated that Galloway “did not share details.” At some point in this conversation, Oil Trader #1 also advised Galloway to request “the highest amount of allocation.” He also advised Galloway, “do not be afraid [of] the allocation because it is a sure way to get paid for lobbying” for the Iraqi cause.

Believing that Galloway either had an allocation or was going to receive one in the immediate future, Oil Trader #1 “expressed serious interest” in buying whatever allocations Galloway had been or would be granted. Oil Trader #1 wanted to put Galloway “at ease” that he was “a serious buyer,” meaning he was an experienced oil trader. As a result, he gave Galloway his “background,” describing to Galloway his long history in the oil business (“since ‘85 or ‘86”). Oil Trader #1 also informed Galloway that he was affiliated with the “majority” purchaser of a specific grade of Iraqi crude oil, called Basrah Light, and estimated the significant volume of Iraqi oil that his affiliates had purchased. He further burnished his credentials as an oil trader, telling Galloway that he and his partners “had never not performed” their obligations under oil contracts.

Oil Trader #1 told the Subcommittee that, after he and Galloway discussed oil allocations at length and he “expressed serious interest” in Galloway’s allocation, Galloway made several noteworthy statements. In sum, according to Oil Trader #1, Galloway stated that either he would contact Oil Trader #1 directly to negotiate the sale of an oil allocation or Galloway’s “representative in Baghdad” would contact the oil trader’s Baghdad office. Oil Trader #1 emphasized to the Subcommittee that “[Galloway] said he or his representative in Iraq would contact [the oil trader] in connection with the sale of an allocation.” Oil Trader #1 stated that Galloway also told him that he would be “happy to contact you because you are a high volume buyer of allocations.” Oil Trader #1 reiterated that statement once again, stating: “[Galloway] told me that, if he were to obtain an oil allocation, he would contact us directly or indirectly.” To that end, Galloway wanted “all of my points of contact,” so Oil Trader #1 and Galloway exchanged contact information.

After meeting with Galloway, Oil Trader #1 conferred with his partners about buying Galloway’s allocations. Oil Trader #1 believed that establishing a relationship with Galloway would be “attractive.” He argued that Galloway had “a lot of potential” to get large allocations because his bus tour attracted “a large amount of fanfare.”

As detailed in the Report, a few months later, Oil Trader #1 would in fact engage in extended negotiations with Galloway’s agent in Baghdad, Fawaz Zureikat.

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<sup>225</sup> When asked what he meant by the word “it,” Oil Trader #1 confirmed that he was referring to an allocation of Iraqi crude oil.

## APPENDIX E

SUBJECT: NEGOTIATIONS BETWEEN FAWAZ ZUREIKAT, OIL TRADER #1, AND OIL TRADER #2

#### Oil Traders Learn of Galloway's Allocation

Oil Trader #2 was actively involved in the purchase of oil allocations under the Program. He informed the Subcommittee that, from 1998 through 2001, he was "intimately involved in the negotiation and purchase of approximately eight (8) oil allocations of Iraqi crude oil."<sup>226</sup> Those transactions resulted in the purchase of roughly 16 million barrels of Iraqi oil, worth an estimated \$240 million.<sup>227</sup> Oil Trader #2's role in these transactions was to "identify individuals and/or entities that had been granted allocations of crude oil from the Government of Iraq," and "arrange meetings concerning the sale of such oil allocations" between his principal and the allocation holders.<sup>228</sup> According to Oil Trader #1, Oil Trader #2 had "first-class information about allocations" through a variety of sources.<sup>229</sup> As a result, Oil Trader #1 retained Oil Trader #2 as a consultant to "help [him] get closer to" allocation holders.<sup>230</sup>

In the summer of 2000, Oil Trader #2 learned that the Iraqi government had granted an allocation of oil to an individual represented by Fawaz Zureikat.<sup>231</sup> Oil Trader #2 understood that the individual represented by Zureikat was in fact Galloway, stating: "At that time, I knew that the individual that Zureikat represented was a British official named George Galloway."<sup>232</sup> Oil Trader #2 then explained how he knew that Zureikat represented Galloway:

**Officials of the Iraqi State Oil Marketing Organization confirmed to me that Mr. Zureikat represented Mr. Galloway in the sale of Galloway's allocations of Iraqi crude oil. In addition, I personally read SOMO documents that stated that Mr. Zureikat represented Mr. Galloway with respect to Galloway's oil allocations.**<sup>233</sup>

Moreover, Oil Trader #2 stated that, among the oil traders in Baghdad, it was "common knowledge" that Zureikat was Galloway's representative in connection with the sale of oil allocations:

**Lastly, the fact that Mr. Zureikat represented Mr. Galloway with respect to oil allocations and other business in Iraq was common knowledge, understood by many oil traders with whom I had regular contact.**<sup>234</sup>

After learning that Galloway had been granted an allocation, Oil Trader #2 "contacted Mr. Zureikat to inquire about the allocation and whether he was interested in selling it to Italtech," Oil Trader #1's company.<sup>235</sup> Oil Trader #2 stated that he "informed Mr. Zureikat that Italtech would be interested in purchasing the allocation of oil."<sup>236</sup> He then "proceeded to arrange a face-to-face meeting between Mr. Zureikat and [Oil Trader #1]."<sup>237</sup> That meeting between Oil Trader #1 and Zureikat is described in detail below.

<sup>226</sup> Oil Trader #2 Witness Statement at ¶¶ 1, 2. (Ex. 22).

<sup>227</sup> *Id.* at ¶ 2. (Ex. 22).

<sup>228</sup> *Id.* at ¶ 1. (Ex. 22).

<sup>229</sup> Oil Trader #1 interview (Aug. 31, 2005).

<sup>230</sup> *Id.*

<sup>231</sup> Oil Trader #2 Witness Statement at ¶ 3. (Ex. 22).

<sup>232</sup> *Id.* at ¶ 4. (Ex. 22).

<sup>233</sup> *Id.*

<sup>234</sup> *Id.*

<sup>235</sup> *Id.* at ¶ 3. (Ex. 22). The name of Oil Trader #1's company has been redacted from Oil Trader #2's Witness Statement to protect the identity of both Oil Trader #1 and Oil Trader #2.

<sup>236</sup> *Id.*

<sup>237</sup> *Id.*

### The Oil Traders Negotiate with Zureikat to Buy Galloway's Allocation

The first encounter with Zureikat took place in Oil Trader #1's office in Baghdad, and both Oil Trader #1 and Oil Trader #2 participated in the negotiations.<sup>238</sup> Oil Trader #2 recalled that the meeting occurred during Phase VIII of the Program, "approximately in the summer of 2000."<sup>239</sup>

Although Oil Trader #2 knew that Zureikat represented Galloway, Oil Trader #1 was unfamiliar with Zureikat and sought to verify the identity of the actual allocation holder. Oil Trader #1 stated that, when negotiating the purchase of an allocation, he had a "regular business practice" of knowing the identity of the allocation grantee. He stated that he always knew "exactly who the allocation had been granted to," and "wouldn't have negotiated [to buy the allocation] unless I knew whose allocations were involved." The negotiations with Zureikat were no different, and he sought to learn the identity of the allocation holder that Zureikat represented. In fact, according to Oil Trader #1, his desire to know Zureikat's principal was especially acute because he did not know Zureikat personally.<sup>240</sup>

Therefore, according to Oil Trader #1, "the first thing I did was make extra sure who Zureikat was and who he was representing."<sup>241</sup> Oil Trader #1 recalled that, at the outset of the meeting, it was declared openly that the allocation under negotiation had been granted to Galloway and that Zureikat was representing Galloway.<sup>242</sup> Oil Trader #1 did not recall whether that declaration was made by his consultant (Oil Trader #2) or by Zureikat, and confirmed in his testimony that "it was clearly stated at the meeting by either [Oil Trader #2] or Fawaz Zureikat that the allocation had been granted to George Galloway and that Fawaz Zureikat was acting as the representative of George Galloway in the sale of the allocation."<sup>243</sup> Oil Trader #1 stated that, from the conversation at this meeting, he was "100% sure" that Zureikat was representing Galloway in the negotiations to sell the oil allocation.<sup>244</sup> He later stated that he was "certain" that the allocation was indeed Galloway's.<sup>245</sup>

After verifying the identity of the allocation holder, Oil Trader #1 proceeded to negotiate the terms of the transaction with Zureikat. Oil Trader #1 stated that it was "a straightforward negotiation." The negotiation focused on several different terms, including the volume of oil that Oil Trader #1 could buy and the date of the lifting of the oil. The "main issue" of the negotiation, however, was the rate of commission that Oil Trader #1 would pay Zureikat and Galloway for the allocation and the date of payment of such a commission.<sup>246</sup>

Oil Trader #2 told the Subcommittee that Oil Trader #1 "negotiated with Mr. Zureikat the rate of commission that Italtel would pay in exchange for the oil allocation."<sup>247</sup> He described the negotiation as follows:

**[Oil Trader #1] offered to pay a commission of 8 cents per barrel for Kirkuk and 12 cents per barrel of Basra. Initially, Mr. Zureikat agreed to**

<sup>238</sup> Oil Trader #2 Witness Statement at ¶ 6 (stating that he "attended and participated in that meeting with [Oil Trader #1]"). (Ex. 22). Oil Trader #1 interview (Aug. 31, 2005).

<sup>239</sup> *Id.* at ¶ 6. (Ex. 22). Oil Trader #2 explained why he remembered that the negotiation with Zureikat occurred in the summer of 2000, stating: "To the best of my recollection, this meeting took place during phase 8 of the Program. I recall that [Oil Trader #1's company] received its own oil allocation in approximately December 2000, at the beginning of phase 9. The meeting with Mr. Zureikat occurred a few months before that, approximately in the summer of 2000." *Id.*

<sup>240</sup> Oil Trader #1 interview (Aug. 31, 2005).

<sup>241</sup> *Id.*

<sup>242</sup> *Id.*

<sup>243</sup> Oil Trader #1 interview (Aug. 31, 2005). Although Oil Trader #2's Witness Statement does not indicate that Galloway's name was mentioned during the negotiation, he stated on at least four different occasions that he understood that Zureikat represented Galloway in the sale of the allocation. *See, e.g.*, Oil Trader #2 Witness Statement at ¶ 4 (stating "I knew that the individual that Mr. Zureikat represented was a British official named George Galloway"), ¶ 7 (stating "I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway"), ¶ 8 (stating "Once again, I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway"), ¶ 9 (referring to "Mr. Zureikat and his client, Mr. Galloway"). (Ex. 22).

<sup>244</sup> Oil Trader #1 interview (Aug. 31, 2005).

<sup>245</sup> Oil Trader #1 interview (Aug. 31, 2005).

<sup>246</sup> Oil Trader #1 interview (Aug. 31, 2005).

<sup>247</sup> Oil Trader #2 Witness Statement at ¶ 7. (Ex. 22).



**this commission structure and a hand written draft of a contract was prepared between Italtel and Mr. Zureikat.<sup>248</sup>**

Before the written agreement could be finalized, however, Zureikat told Oil Trader #1 and Oil Trader #2 that he needed to communicate with his client to get approval.<sup>249</sup> Oil Trader #2 stated that: "I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway."<sup>250</sup> Similarly, Oil Trader #1 explained that he understood he was "negotiating with Galloway, not Fawaz Zureikat."<sup>251</sup>

The following day, Zureikat contacted Oil Trader #2 to continue the negotiation over Galloway's allocation.<sup>252</sup> Oil Trader #2 stated: "Mr. Zureikat contacted me and stated that his client wanted 20 cents a barrel and that he would not accept a lower commission for Kirkuk oil."<sup>253</sup> Oil Trader #2 reiterated that, "in referring to his client, Mr. Zureikat meant Mr. Galloway."<sup>254</sup>

After Zureikat's counter-proposal, the negotiations between Oil Trader #1 and Fawaz Zureikat failed. Oil Trader #1 explained that he had agreed to Zureikat's demand for a 20-cent commission, but nonetheless, the contract was never executed.<sup>255</sup> According to both Oil Trader #1 and Oil Trader #2, no contract was signed between Oil Trader #1's company and Zureikat: "Although the preliminary offer between [Oil Trader #1's company] and Mr. Zureikat had been drafted, the deal ultimately fell through and [Oil Trader #1's company] did not purchase the oil allocation from Mr. Zureikat and his client, Mr. Galloway."<sup>256</sup>

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<sup>248</sup> Oil Trader #2 Witness Statement at ¶ 7. (Ex. 22). The terms "Kirkuk" and "Basra" refer to the two grades of crude oil authorized for export from Iraq under the Program. "Kirkuk" refers to oil exported the Kirkuk-Yumurtalik pipeline through Turkey, and "Basra" refers to the oil exported from the Mina al-Bakr oil terminal, near Basra. See, e.g., Memorandum Of Understanding Between The Secretariat Of The United Nations And The Government Of Iraq On The Implementation Of Security Council Resolution 986 (1995), Section IV, ¶ 16.

<sup>249</sup> Oil Trader #2 Witness Statement at ¶ 7. (Ex. 22).

<sup>250</sup> *Id.*

<sup>251</sup> Oil Trader #1 interview (Aug. 31, 2005).

<sup>252</sup> Oil Trader #2 Witness Statement at ¶ 8. (Ex. 22).

<sup>253</sup> *Id.*

<sup>254</sup> *Id.*

<sup>255</sup> Oil Trader #1 interview (Aug. 31, 2005).

<sup>256</sup> *Id.*; Oil Trader #2 Witness Statement at ¶ 9. (Ex. 22).

## APPENDIX F

**SUBJECT:** GALLOWAY'S STATEMENTS IN A BRITISH COURT AND FAILURE TO REGISTER INTERESTS RELATED TO THE OIL-FOR-FOOD TRANSACTIONS

The Subcommittee has uncovered evidence that during Galloway's libel suit against *The Daily Telegraph*, Galloway made false statements under oath before a British court. In addition, Galloway appears to have violated the Code of Conduct for Members of Parliament by failing to disclose the payments from Zureikat to Galloway's wife and the Mariam Appeal arising from oil transactions. These matters are discussed in detail below.

**1. Galloway Knowingly Made False or Misleading Statements Under Oath Before a British Court**

The Subcommittee's evidence demonstrates that, in addition to false or misleading statements made before the Subcommittee, Galloway knowingly made false or misleading statements under oath before a British tribunal holding a trial in connection with the lawsuit brought by Galloway against *The Daily Telegraph*. Galloway made several general and specific denials regarding the allegations made in the articles published by the *Telegraph*. One such specific denial was that the Mariam Appeal had received funds from Zureikat that he had in turn received from the Iraqi government:

**Q.** [Mr. Price]: And they [the documents published by *The Daily Telegraph*] show large amounts of money being paid out of the Iraqi regime into the Mariam Appeal?

**A.** [Mr. Galloway]: Are you now saying that is true?

**Q.** [Mr. Price]: Well, that is what they show, is it not?

**A.** [Mr. Galloway]: That is what the documents appear to show.

**Q.** [Mr. Price]: Yes. And so the question is, is it not, what does Mr. Zureikat say about this, because the overwhelming likelihood is that the money would have gone to Mr. Zureikat as your representative in Baghdad, and from him into the Mariam Appeal; is that not right?

**A.** [Mr. Galloway]: If it were true, but it is not.<sup>257</sup>

As indicated in the findings relating to Galloway's statements before the Subcommittee, the evidence gathered by the Subcommittee indicates that the Mariam Appeal received at least \$446,000 in transfers from Zureikat in connection with the oil allocations granted under the Oil-for-Food Program.

Additionally, Galloway denied that he met with an officer of the Iraqi Intelligence Service on December 26 ("Boxing Day"), 1999. That denial came when Galloway was asked what he would have done differently had he been given sufficient time to review and respond to the allegations contained in the articles published by the *Telegraph*. When asked what he would have done differently, Galloway responded:

... I would, for example, have spoken to the person named in the documents, Zureikat, to ask how they could conceivably have thought that he and I had a meeting with an Iraqi intelligence officer. I would have elicited from him the answer that this allegation is completely false. I know now from my discussions with him what I was doing on Boxing Day when I was not meeting an Iraqi intelligence officer.<sup>258</sup>

As indicated in the findings relating to Galloway's statements before the Subcommittee, the IIS Letter, which was authenticated by Tariq Aziz, indicates that Galloway had indeed met with an IIS officer on December 26, 1999.<sup>259</sup>

<sup>257</sup> Trial transcript from the Telegraph Lawsuit (Nov. 15, 2004) (Day 1).

<sup>258</sup> Trial transcript from the Telegraph Lawsuit (Nov. 15, 2004) (Day 1).

<sup>259</sup> N.B. When recently asked by the Subcommittee whether he had met with any Iraqi government official on December 26, 1999, Galloway's answer was non-responsive: "On Christmas Day 1999 I attended a lunch with Mr

## 2. Galloway Failed to Register Interests Related to the Oil-for-Food Transactions

Pursuant to the Code of Conduct for Members of Parliament, Members of the House of Commons are required to disclose financial interests.<sup>260</sup> George Galloway did not disclose any of the transfers from Zureikat to his wife or the Mariam Appeal that resulted from the Oil for Food transactions.<sup>261</sup> The figure below is a reproduction of the Register of Interests published in January 2001, reflecting activities in 2000.

Several provisions of the Register of Interests might have required Galloway to disclose the transactions related to the Oil for Food Program. For instance, the Register requires the disclosure of gifts or “material advantage” received by a Member’s spouse greater than £550. Section 5 of the Register of Interests requires disclosure of “Gifts, benefits and hospitality” from sources in the U.K., requiring registration of:

**any gift or material advantage received by the Member or the Member's spouse or partner from a United Kingdom source, which in any way relates to membership of the House. Tangible gifts and other benefits over £550 (1% of a Member's salary) in value must be registered.**

Section 7 of the Register applies the requirements of Section 5 to benefits and gifts from overseas sources:

**This section is subject to the same rules as section 5, but covers gifts and benefits from overseas rather than UK sources.**

Therefore, Section 7 of the Register of Interests might apply to the \$150,000 payment to Galloway’s wife and required disclosure. In addition to Section 7 of the Register of Interests, other provisions, such as Section 4 (“Sponsorship or financial or material support”) and Section 10 (“Miscellaneous and unremunerated interests”), might have required that Galloway register the payments from Zureikat to his wife and the Mariam Appeal.

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Tariq Aziz. There were others present including I think one minister, the minister for culture.” See Galloway’s response to Subcommittee’s interrogatories. (Ex. 1).

<sup>260</sup> Rule 16, Code of Conduct for Members of Parliament (requiring disclosure of pecuniary interests in Register of Members’ Interests).

<sup>261</sup> Excerpts of Register of Members’ Interests (1999 through 2002).

Excerpt of Register of Interests for George Galloway,  
Published January 2001

**GALLOWAY, George (Glasgow Kelvin)**

**2. Remunerated employment, office, profession etc.**

Regular column in the Mail on Sunday. (£60,001-£65,000)

Freelance writing and broadcasting.

Weekly column in Al Wakeel, Arabic daily newspaper.

**6. Overseas visits**

19-22 February 2000, to Lebanon to discuss the cancer epidemic in Iraq for the Mariam Appeal which met my flight and travel and costs. (Registered 2 March 2000)

12-17 March 2000, from London to Jordan on a flight paid for by the Mariam Appeal. I travelled from Amman to the Iraq border in a car paid for by the Mariam Appeal. I travelled from the Iraq border to Baghdad in a car paid for by the Ministry of Health. My three nights in Baghdad were as a guest of the Iraq-Britain Friendship Society. (Registered 6 April 2000)

31 March-3 April 2000, to the United Arab Emirates, as a guest of the Government of the UAE. (Registered 6 April 2000)

7-11 May 2000, from London to Amman by plane and from Amman to Baghdad by road, travel paid by the Mariam Appeal. Accommodation in Baghdad paid for by the Baghdad Conference, a collection of NGOs working on the sanctions issue. (Registered 17 May 2000)

June 2000, flight to Budapest and two nights in hotel paid for by the Mariam Appeal. (Registered 4 December 2000)

July/August 2000, flight to US and two nights in hotel paid for by Texas-based campaign against sanctions on Iraq. (Registered 4 December 2000)

October 2000, flight to Brussels and three nights in hotel paid for by the Mariam Appeal. (Registered 4 December 2000)

November 2000, flight to Madrid-Gilgen and three nights in hotel paid by Spanish campaign for lifting of sanctions on Iraq. (Registered 4 December 2000)

November 2000, flight London to Baghdad and three nights in hotel there paid by the Mariam Appeal. (Registered 4 December 2000)

8 December 2000, flight to Jordan, paid for by Great Britain-Iraq Society of which I am Chairman. (Registered 9 December 2000)

53

11-16 January 2001, I flew to Amman and thence by car to Baghdad, paid by the Great Britain-Iraq Society, and spent two nights in Iraq in a hotel paid by the Iraq-Great Britain Friendship Society. I returned to London by air on 16 January. (Registered 19 January 2001)

23-27 January 2001, to New York, flight paid for by the Mariam Appeal. (Registered 1 February 2001)

**7. Overseas benefits and gifts**

April 2000, gift of a watch from the Government of the United Arab Emirates. (Registered 6 April 2000)

**9. Registerable shareholdings**

(a) AVL Media Ltd; publication and media company.

**10. Miscellaneous and unremunerated interests**

Regular column in Orient magazine; internet daily (unpaid).

# **E X H I B I T S**

**TO**

**REPORT CONCERNING  
THE TESTIMONY OF GEORGE GALLOWAY  
BEFORE THE PERMANENT SUBCOMMITTEE  
ON INVESTIGATIONS**

**PREPARED BY THE  
MAJORITY STAFF  
OF THE  
PERMANENT SUBCOMMITTEE  
ON INVESTIGATIONS**

**WRITTEN QUESTIONS FOR GEORGE GALLOWAY, MP**

- (1) A copy of a one-page letter which appears to be signed by you and addressed to "To Whom It May Concern" has been provided to you. Are you familiar with this letter?

*Yes.*

- (2) Did you sign this letter certifying that Fawaz Zureikat was your representative in Baghdad on all matters related to the Mariam Appeal?

*Yes.*

- (3) Can you confirm the authenticity of the "To Whom It May Concern" letter?

*Yes.*

- (4) The "To Whom It May Concern" letter was reportedly discovered by a reporter for *The Daily Telegraph* named David Blair. At the trial of your suit against the newspaper, Mr. Blair testified regarding the circumstances of the discovery of the letter and other documents within the Iraqi Ministry of Foreign Affairs. Do you have any reason to doubt Mr. Blair's sworn testimony regarding the discovery of the "To Whom It May Concern" letter and the other documents?

*Yes I do, and will make a parliamentary statement on same upon the conclusion of the Daily telegraph's appeal.*

- (5) As you may know, the "To Whom It May Concern" letter was attached to a 5-page letter from the head of the Iraqi Intelligence Service to the Iraqi President's Office ("the IIS letter"). A copy of a translation of that letter has been provided to you. Are you familiar with the contents of the IIS letter?

*Yes.*

- (6) Is it your position that the IIS letter is a forgery?

*My position is that it is fake; it could be a forgery like other documents but whoever wrote it whenever and for whatever reason it describes things which never happened and contains information which is flatly false.*

- (a) If so, what is the basis of that position?

- (b) Have you or your legal counsel had an opportunity to review the IIS letter or any of the other documents discovered by David Blair?

*Yes; I understand they were photocopies. The High Court proceedings are I believe available.*

**Permanent Subcommittee on Investigations**

**Galloway Testimony Report**

**EXHIBIT #1**

- (7) The IIS letter indicates that on or about December 26, 1999 you and Fawaz Zureikat met with an officer of the IIS. Did you in fact meet with an officer of the IIS on or about December 26, 1999?

*No.*

- (8) If not, did you meet with any member of the Iraqi government or any Iraqi official on or about December 26, 1999?

*On Christmas Day 1999 I attended a lunch with Mr Tariq Aziz. There were others present including I think one minister, the minister for culture.*

- (9) On or about December 26, 1999, did you inform any person that Fawaz Zureikat was your only representative in all matters concerning the Mariam Campaign and for taking care of your future projects for the benefit of Iraq?

*No.*

- (10) On or about December 26, 1999, did you inform any person that you did not want your name or your wife's name mentioned in connection with any commercial aspect of Fawaz Zureikat's activities on your behalf?

*No – he performed none on my behalf.*

- (11) On or about December 26, 1999, did you inform any person that you planned to perform any of the following activities: (a) arrange visits for Iraqi sports and arts delegations to Britain; (b) broadcasting programs for the benefit of Iraq; (c) locate Iraq On Line for the benefit of Iraq on the internet; or (d) mobilize British personalities to support the Iraqi position?

*No.*

- (12) On or about December 26, 1999, did you inform any person that the aforementioned planned activities required financial support?

*No.*

- (13) On or about December 26, 1999, did you inform any person that the Mariam Appeal had received financial support from Sheikh Zayed from the United Arab Emirates but that the financial support given by Sheikh Zayed was "limited and volatile" because it depended on his personal temper as well as economic and political changes?

*No.*

- (14) On or about December 26, 1999, did you inform any person that you had obtained, through Tariq Aziz, three million barrels of oil every six months through the oil-for-food program?

*No – and I had not.*

- (15) On or about December 26, 1999, did you inform any person you had “obtained a limited number of food contracts with the Ministry of Trade”?

*No – and I had not.*

- (16) On or about December 26, 1999, did you make a request to any person for an increase in your share of oil?

*No – I had no share of oil.*

- (17) On or about December 26, 1999, did you make a request to any person to be granted certain contractual rights with the Ministry of Industry and the Electricity Commission?

*No.*

- (18) On or about December 26, 1999, did you inform any person that you had entered into a partnership with Burhan Mahmoud Chalabi to sign for your oil contracts?

*No – I had not so entered any partnership and had no oil contracts.*

- (19) Did you ever discuss with Tariq Aziz the possibility of Iraq providing financial support for the Mariam Appeal?

*No.*

- (20) Did Tariq Aziz ever offer any financial support for the Mariam Appeal or any other of your political activities?

*No.*

- (21) Did Tariq Aziz ever offer you allocations of Iraqi crude oil (“oil allocations”) for the purpose of providing financial assistance to the Mariam Appeal?

*No.*

- (22) Did any Iraqi official other than Tariq Aziz ever offer you oil allocations for the purpose of providing financial assistance to the Mariam Appeal?

*No.*



- (23) Have you ever discussed oil allocations with Saddam Hussein?
- No.*
- (24) Did you ever discuss with Fawaz Zureikat the possibility of Iraq providing financial support for the Mariam Appeal?
- No.*
- (25) Did Tariq Aziz ever offer any financial support to Fawaz Zureikat for the Mariam Appeal?
- I have no idea.*
- (26) Have you ever discussed oil allocations with Fawaz Zureikat?
- Since the Daily Telegraph articles, yes, previously no.*
- (27) Did Tariq Aziz ever offer Fawaz Zureikat oil allocations for the purpose of providing financial assistance to the Mariam Appeal?
- How can I know that?*
- (28) Did any Iraqi official other than Tariq Aziz ever offer Fawaz Zureikat oil allocations for the purpose of providing financial assistance to the Mariam Appeal?
- How can I know that?*
- (29) Have you ever spoken with Fawaz Zureikat regarding the IIS letter or its contents?
- Yes.*
- (a) If not, why not?
- (b) If so, what was discussed?
- What its meaning could be and what could be its provenance.*
- (30) Did Fawaz Zureikat transfer any funds to any bank account in your name in connection with any oil transaction, oil allocation, contract, or any other Oil-for-Food related deal?
- No.*
- (31) Did Fawaz Zureikat transfer any funds to any bank account in the name of any of the individuals or entities listed below in connection with any oil transaction, oil allocation, other contract, or any Oil-for-Food related deal:

*I have no knowledge of Mr Zureikat's business affairs.*

- (a) AVL Media?
  - (b) Mariam Appeal?
  - (c) Ron McKay?
  - (d) Stuart Halford?
  - (e) Dr. Burhan Al-Chalabi?
  - (f) Dr. Amineh Abu-Zayyad?
- (32) If Fawaz Zureikat did forward any funds in connection with any Oil-for-Food transaction to any of the individuals or entities listed in the previous question, please indicate:
- (a) the amounts and dates of such transfers,
  - (b) why Fawaz Zureikat transferred such funds to those individuals, and
  - (c) when you learned of any such transfers.
- (33) Aside from any transfers related to any Oil-for-Food transactions that are responsive to the three previous questions, please indicate whether Fawaz Zureikat transferred any funds to the above entities or individuals for any other reason at any point from January 1, 1997 through the present.

*How can I know that?*

- (34) Have you ever spoken with Dr. Burhan Chalabi regarding the IIS letter or its contents?
- Yes.*
- (a) If not, why not?
  - (b) If so, what was discussed?

*As previous.*

- (35) Please describe the history of your relationship with Dr. Burhan Chalabi.

*Dr Chalabi and I were campaigners against war and sanctions living in the same city. We were also present together in Iraq on at least three occasions.*

- (36) Payments totaling at least £7,637.50 were made from the Mariam Appeal account at Lloyds TSB to the law firm of Denton Wilde Sapte. For what reason(s) were those payments made?

*Legal fees I presume; they at one time acted for the Mariam Appeal.*

- (37) Payments totaling at least £74,872 were withdrawn in cash from the Mariam Appeal account at Lloyds TSB. For what reason(s) were those cash withdrawals made?

*I think the Charity Commission is the best source of this answer; I do know that the sanctions busting flight from London to Baghdad was paid in cash – which would explain the lion's share of it.*

- (38) A check for £200 was written in favor of Lucy Galloway from the Mariam Appeal account at Lloyds TSB on or about January 18, 1999. For what reason(s) was that payment made?

*Wages for a short term piece of work.*

- (39) A check for £15,000 was written in favor of Humming Bird Motors from the Mariam Appeal account at the National Bank of Abu Dhabi on or about November 11, 1999. For what reason(s) was that payment made?

*I have never heard of this company but a vehicle for the Appeal's director was purchased around this time.*

- (40) A check for £22,558.38 was written in favor of Broadfields, a land rover dealership, from the Mariam Appeal account at the National Bank of Abu Dhabi on or about June 29, 1999. For what reason(s) was that payment made?

*For the Land Rover which preceded the Big Ben to Baghdad Bus.*

- (41) Payments totaling at least £44,205 were made from the Mariam Appeal account at Lloyds TSB to an entity called "AVL Media Ltd."

(a) What was the purpose of those payments?

*Payment for a daily internet news service and e-mail drop to thousands of people all over the world about the impact of sanctions and war against Iraq.*

(b) Did AVL Media have any connection to a concern called "Arab TV" or "ATV"?

*You should ask them.*

- (42) Do you have any knowledge regarding an effort by Fawaz Zureikat and others to establish an Arab satellite television station in England? If so, please elaborate.

*You should ask them.*

(43) Did you visit Morocco in early 2003?

*Yes I believe so.*

(a) If so, did Fawaz Zureikat visit you while you were in Morocco?

*No.*

(b) If so, did Fawaz Zureikat bring with him any funds from one of his bank accounts in Jordan?

(44) Who is Elaine Laing and what was her affiliation with the Mariam Appeal?

*I have no idea – again the Charity Commission may be the best people to answer this.*

Statement of Truth

I believe that the facts stated in my response to the questions herein are true.

Signed

George Galloway MP

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George Galloway

17.10.05

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Dated

G Galloway  
First  
22<sup>nd</sup> July 2004

IN THE HIGH COURT OF JUSTICE

CLAIM NO: HQ03X02026

QUEEN'S BENCH DIVISION

BETWEEN:

GEORGE GALLOWAY MP

Claimant

AND

TELEGRAPH GROUP LIMITED

Defendant

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WITNESS STATEMENT  
OF GEORGE GALLOWAY

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I, GEORGE GALLOWAY MP, of House of Commons, London SW1A 0AA, WILL SAY AS  
FOLLOWS:

Background

1. I am, and have been since 1992, the Member of Parliament for Glasgow Kelvin. I was the  
Member of Parliament for Glasgow Hillhead between 1987 and 1992.

2. I joined the Labour Party at the age of thirteen in 1967. I served the party at all levels from Ward officer through CLP office, election agent, full-time party organiser, to being the youngest ever chairman of the Labour Party in Scotland. I remained a member until 23 October 2003 when I was expelled from the party for apparently "bringing the Labour Party into disrepute". I deal with this expulsion separately below.
  
3. In the build up to the latest military action against Iraq I was one of the leaders of the Stop the War Coalition which has organised millions of British people to demonstrate against the war, the occupations and the future wars being planned. As such I have been the keynote speaker at rallies and meetings all over the country as we tried to mount democratic pressure on MPs and the Government to halt the war and end the occupation. These meetings have been hugely attended and I have a continuing diary of such engagements all over the country.
  
4. I am a founding member of "R.E.S.P.E.C.T., the Unity Coalition", a new political movement launched out of the anti-war movement to challenge Tony Blair's New Labour. R.E.S.P.E.C.T., which stands for "Respect, Equality, Socialism, Peace, Environment, Community and Trade Unionism", supports, among many other things, an end to war and occupation in Iraq and the severing of the "special relationship" with George W. Bush. Its Foundation Conference on 25 January 2004 was attended by nearly 1,500 activists.
  
5. I have a regular column in a Sunday newspaper and I also write for many others. I frequently appear on radio and television here and abroad. I have a regular one-hour slot on American radio, I appear on Radio France International and I frequently appear on Arab television.

The articles complained of in this action

6. On 22 and 23 April 2003 the Daily Telegraph ("the Telegraph") published a series of articles about me. These articles (Appendix 1) claimed that I had been in the pay of Saddam Hussein and his regime, secretly receiving at least £375,000 a year from it. The articles claimed that I had made very substantial secret profits from Saddam Hussein and his regime, firstly by receiving monies from the "Oil for Food" Programme (apparently I received 10 to 15 cents per barrel of 3 million barrels of oil every 6 months) and secondly by receiving a percentage of the profits of the number of food contracts I had obtained with the Iraqi Ministry of Trade. It was alleged that I was not satisfied with the very substantial personal profits that the Telegraph claimed I had made so had (at a meeting on 26 December 1999) asked an Iraqi intelligence agent for even more money for myself. Finally, the Telegraph claimed that I had used the Mariam Appeal as a front to conceal my secret commercial dealings with the Iraqi intelligence service (through which commercial dealings I sought to obtain very substantial sums of money for myself).
7. The allegations made by the Telegraph are very serious and extremely damaging. They are all false. The Telegraph does not say that they are true.
8. The Telegraph's story resulted in their allegations being repeated throughout the British media and, indeed, the world. In fact, in an article entitled "We stand by scoop that led the news" (Appendix 2) the Telegraph gloried in the fact that their story had "...dominated political debate in Britain yesterday and generated intense interest around the world. News programmes on radio and television led with reports of the story, which made headlines on every continent." The front-page lead was nominated at the British Press Awards 2004 for

"Front Cover of the Year". I am continually confronted by these allegations which are repeated virtually every time I am mentioned by the press and media.

9. As a result of these Telegraph articles I was hounded by reporters from around the world at my home in Portugal. As the Telegraph itself pointed out, these accusations undermined the Anti-War Movement and my role in it. The Telegraph revelled in this, as can be seen from the editorial entitled "Saddam's Little Helper" (which is in Appendix 1)
10. As a result of the Telegraph articles (or at the same time as they were published) I also faced investigations by the Parliamentary Commissioner and the Charity Commission. I also faced expulsion from the Labour Party. I deal with each of these below but feel that all of these issues and the timing of them were a campaign against me which results directly from my vociferous opposition to the recent Iraq conflict.

#### The Parliamentary Commissioner

11. As a direct result of the Telegraph's allegations the Parliamentary Commissioner for Standards commenced an investigation against me which is currently in limbo pending the outcome of this action. In a statement made on 6 May 2003 it was announced by Sir Philip Mawer (the Commissioner) that he was "beginning preliminary inquiries into the allegation reported by the Daily Telegraph that Mr George Galloway MP received some £375,000 from the former Iraqi Government and had not declared this in the Register of Members' Interests". As Sir Philip pointed out "The allegations against Mr Galloway are serious..." (Appendix 3). The Commissioner can recommend that a Member apologise to the House, impose a penalty (usually suspension) or recommend the expulsion of a Member if they uphold the complaint.



The Charity Commission

12. On 24 April 2003, two days after the articles complained of were published the Charity Commission opened an investigation into the Mariam Appeal. The investigation was ordered by the Attorney General, Lord Goldsmith. For me this was a politically inspired move, payback for my vociferous opposition to the war and strong criticism of leading government officials including the Prime Minister, Mr Blair.
  
13. The crux of the allegations that I faced was that I had used charitable funds to finance political activities in breach of charity law. As the Telegraph itself reported (Appendix 4), the Inquiry really wanted to investigate the funding of trips I had made to Iraq and which were paid for by the Mariam Appeal. I have attached the report that the Charity Commission published together with their Press Release (Appendix 5). Simon Gillespie (the Charity Commission's Director of Operations) confirmed that "The Commission's thorough Inquiry found no evidence to suggest that the large amounts of money given to the Mariam Appeal were not properly used."
  
14. I never intended the Mariam Appeal to be a charity. It had always had a dual purpose as set out below. Despite this the Commission found that the funds raised by the Mariam Appeal were charitable but that the founders of the Appeal were unaware that we had created a charity. The Commission also found that:
  - The major funders of the Appeal were the United Arab Emirates, an individual from Saudi Arabia (who was in fact Abdullah bin Abdulaziz al-Saud, the Crown Prince of Saudi Arabia) and Fawaz Zureikat.

- Some of the activities of the Appeal were political by nature, in particular a campaign to end sanctions against Iraq. These political activities were ancillary in terms of expenditure to the purposes of the Mariam Appeal. The trustees could reasonably have formed the view that this would have the impact of enabling treatment for sick children.
  - That Mariam Hamza's treatment and aftercare were funded by the Appeal.
  - That two of the trustees (one of whom was my wife) received "unauthorised benefits" in the form of salary payments from the Appeal's funds. These payments were not made in bad faith and the services provided were of value to the Appeal. The Executive Committee of the Appeal considered that these payments were necessary.
15. The Commission announced it would be taking no further action in respect of the Mariam Appeal.

My expulsion from the Labour Party

16. My opposition to the war in Iraq led to my expulsion from the Labour Party. The Party I was expelled from was not the Party I first became a member of some thirty six years ago. I will not set out here the many things that have seen the party become a grotesque caricature of what the Labour Party once stood for. To my mind the Labour Party has alienated its core supporters. I was willing to stay in the party and fight for a return to its values, but

obviously my expulsion has closed that route for me and I am now free to take a political and electoral battle to the Prime Minister.

17. I faced five charges, each of which related to the expression of my views in relation to the Iraq war. As such the National Constitutional Committee ("NCC") did not really have jurisdiction to condemn me, the party rules prohibiting this. The NCC got round this by accepting the National Executive Committee presenter's contention that the charges against me were nothing to do with expression but rather about incitement and threats. This was palpable nonsense, especially as it was accepted that 'intention' was no part of the case against me.
18. As the expulsion happened after the publication of the articles complained of I will not go into great detail. Suffice to say that the evidence in support of the charges against me was a shambles but I was always convinced that this 'show trial' would end in my expulsion.
19. The charges brought against me by the Labour Party did not directly relate to the allegations made by the Telegraph. But, as the Telegraph itself bragged in an article by Andrew Sparrow on 24 October 2003 "The Telegraph story is not directly relevant. Labour did not use it as part of its evidence against the MP and the party accepts that he had the right to try to clear his name in the Courts. But, interestingly, it was not until 6 May 2003, after the Telegraph story, that Labour decided to suspend Mr Galloway..." (Appendix 6).

#### My interest in the Arab cause

20. I first became involved in the Palestinian cause in 1975 following a chance meeting with a young Palestinian student named Sa'ad Jabaji, a representative of the General Union for

Palestinian Students at Dundee University. He had come to discuss the Palestinian cause with someone from the Labour Party and, as I had responsibility in the local party for international affairs, and there was nobody else there, I listened to him. Since that day the Palestinian issue and the broader Arabic cause has become an article of faith for me.

21. I first visited the Middle East in the summer of 1977 with a collective bunch of around 25 people from across the country. I arrived in Beirut during a brief pause in the country's vicious Civil War. I visited Palestinian refugee camps where I witnessed three generations of refugees living in appalling unsanitary poverty. The trip was a life-changing episode. Although it was a difficult decision for me to make the journey back to Scotland, barely a week after my return I made a pledge in the Tavern Bar in Dundee's Hawkhill District, to devote the rest of my life to the Palestinian and Arab cause, whatever the consequences for my own political future.
22. In 1980 I was instrumental in arranging the twinning of Dundee with the Palestinian town of Nablus, in the Israeli-occupied West Bank. We invited their Mayor Bassam Al Shaaka, as a guest in our Annual Festival. My involvement in Arab affairs was growing wider and deeper. I regularly travelled to Beirut and became closer to Yasser Arafat, but was also visiting Syria, Morocco, Egypt and most other Arab countries.

#### **My views on Saddam Hussein's Iraq**

23. By the time of the first Gulf War in 1991 I had visited almost every Arab country, the most important exception being Iraq. I could not have visited Iraq as I was a known and vociferous opponent of the Saddam Hussein regime and believe I would have been arrested. I was one of the first to join the campaign against repression and for democratic rights in

Iraq (CARDRI) in the late 1970s and I acted as the contact point within the Dundee Labour movement for the dissemination of anti-Saddam information. I believed that Saddam Hussein's regime was a brutal dictatorship, one of the worst in the Middle East. At this time, however, Saddam was the blue-eyed boy of Britain and America, which were doing a roaring trade of all kinds with him, including arms. Thus I was pleased to be able to say while under attack as an "apologist" for Saddam Hussein that I used to be outside the Iraqi Embassy in London demonstrating for democracy and human rights while British businessmen and Ministers were inside selling guns and gas.

24. When Iraq invaded Iran in 1980 it did so at the behest of countries like Britain and America which armed it and financed it. It was only after the Iraqi "victory" in the war, when Saddam Hussein emerged with a million man army, equipped with the best that British taxpayers' money could buy, that his former paymasters, armourers, apologists and mouthpieces, began to get nervous.
25. The attack on the people of Halabja, where Iraqi forces fired chemical weapons into a Kurdish village killing a large number of civilians, many of them children, happened at a time when the West was supporting Iraq. Saddam Hussein had chemical weapons because the West had supplied them to him. I was against Saddam Hussein and his brutal regime in Iraq. The difference is that I was always against him. I met Saddam Hussein twice, the same number of times as Donald Rumsfeld. The difference between Rumsfeld and myself is that he was visiting Saddam Hussein to sell weapons of mass destruction and give him surveillance photographs to better target them, whereas I met him only to try to avert more war, more killing and more suffering.

My anti-war campaigning (Part 1)

26. The recovery of Kuwait to Iraq had been a national article of faith during all previous Iraqi governments. For Iraqis of all political persuasions, Kuwait had been stolen from the motherland by Great Britain, the former colonial power. In the 400-year Ottoman era, Kuwait had been part of the governorate of Basra, a single province in an empire ruled for centuries from Istanbul. The area now known as Kuwait was part of the larger Iraqi whole.
  
27. In 1990 I was an enemy of the Iraqi regime as I have set out above. The sympathy I had for former colonies undoing the fake boundaries of imperialism could not support the naked aggression committed against Kuwait. Yet as we moved ominously towards a cataclysmic war, I made my stand with the people of Iraq. The differences I had with the Iraqi regime were not as great as those that I had with the bigger villains of imperialism. The US and its loyal auxiliary Great Britain were preparing to invade Kuwait not out of concern for the fate of small nations, nor for the high-flown reasons they advanced. My belief was that this was a war for oil: the big powers were anxious to stop an Arab nationalist government increasing its share of the world's oil reserves. There was much talk of Iraq as a dictatorship. Yet Kuwait was governed from top to bottom, not by one party, but by one family, as I set out in a motion in the House of Commons in January 1991. I believed it was also a war for Israel, to cut down to size a potentially troublesome Arab government. I believed the result – reversing an invasion – would not justify the means.
  
28. The 1991 Gulf War was intellectually quite difficult for many to oppose. There was a pretext: Iraq had been wrong to invade Kuwait and extremely foolish not to withdraw once it saw the certain consequences. There was an international consensus among states, with even Arab armies lining up alongside the big Western powers. Despite this I, Clare Short

MP and others maintained a principled and spirited opposition within Parliament. We and the great majority of the British left took up our places in the ranks of the Stop the War movement (Part 1, as it turned out).

#### My support for the Iraqi people

29. I vehemently opposed the use of non-military sanctions against Iraq after the first Gulf War and campaigned against them. It seemed to me that 23 million people had been reduced to one man, Saddam Hussein, who had been so demonised that thereafter any crimes against the 23 million could be, and were, justified. Saddam Hussein committed real and serious crimes against the people of Iraq, most of them during the period he was a key friend and customer of the West. But his crimes do not compare with those committed against Iraq by us, in the name of human rights and democracy.
30. Perhaps a million Iraqi children died in an embargo which killed a child every six minutes of every day and night.
31. For five years following the end of the first Gulf War, Iraq was not allowed to sell a drop of oil, its only means of earning money for the multitude of things it had to import. Even after the introduction of the oil-for-food programme in 1995, essentials such as vitamins and insulin were banned, being officially neither food nor medicine. Any potentially "dual use" items, including x-ray equipment, computers, detergent and almost all spare parts were also banned. The cumulative effect of war and sanctions had caused the health situation in Iraq to descend into a state of freefall. Most children got sick with water-borne disease. The sewage and water systems were in a state of collapse and could not be repaired.

Diseases long-ago banished, such as dysentery, kwashiorkor, typhoid, yellow fever and cholera, returned with a vengeance.

My campaigning against sanctions and the Mariam Appeal

32. I first visited Iraq with the father of the House of Commons, Tam Dalyell MP, in 1993 and went on to be a leading figure in the international coalition against sanctions in Iraq. We organised conferences, rallies, published material, performed campaigning events and our work paved the way for the huge coalition against the war which developed in Britain after 9/11 when it became clear that President Bush was intent on endless war.
33. Since my first visit to Iraq in 1993 I returned to the country on a number of occasions and in 1998, I set up the Emergency Committee on Iraq to address the serious problems facing the people of that country. The Committee opposed non-military sanctions against the Iraqi people and condemned military action against Iraq.
34. Over the weekend of 14 and 15 March 1998 I visited Iraq to see for myself the effect of sanctions on the people of Iraq and, in particular, on the health of children and others who seemed to be subject to a cancer epidemic caused by the uranium tipped weapons used in the first Gulf War. I wanted to check out first hand the plight of the people – particularly children – in the country and where aid could be most usefully applied. My view was that people were starving in Iraq and dying for the want of the most simple medicines and that I could not stand back and let this continue without trying to do something about it.
35. I was appalled by the conditions I found in hospitals in Iraq and found totally unacceptable the way the ordinary people of Iraq (and, in particular, the children) were being made to



suffer for political grievances between world powers. I found the health service on the verge of collapse and met doctors who were close to tears when telling us that, while they had the knowledge and expertise to treat children who were dying, they were being prevented from doing so by the sanctions regime. I was shocked by the potential cancer epidemic that seemed to be emerging in Iraq, especially the effect it appeared to be having on children. It seemed to me particularly horrific that these children were not receiving the proper care because of the sanctions regime when it appeared that the cause of the cancer epidemic might be the uranium tipped bullets and shells used during the attack on Iraq in 1991. It was during one of these hospital visits that I came across Mariam Hamza.

36. Mariam was the first child I met, in the first bed in the first ward, on a tour of a Baghdad hospital's oncology unit in March 1998. She came from an area in the south of Iraq that was bombarded by Allied shells and bullets tipped with depleted uranium in the first Gulf War. I had been told, but did not know for sure, that there had been a six-fold increase in childhood cancers in Iraq since the war and many experts believe that the radioactive material may be responsible. I felt something should be done to find out if this was the case. It seemed to me that [the plight of] Mariam and the other children in that Baghdad hospital highlighted the many reasons why sanctions were so wrong. I was deeply moved by Mariam's plight and indeed the plight of the other children in the Baghdad hospital but I knew that I could not physically help them all. I knew that if Mariam stayed in the filthy squalor of the hospital without the right medicine in the right combination she would die. Both the Bible and the Koran declare that to save the life of one child is to save all humanity. I knew I must try to save her life.
37. In April 1998, I brought Mariam Hamza to Britain for medical treatment for her leukemia. Of course I also hoped that her presence in Britain would have a beneficial effect on

British policy. I brought her to Britain to save her life and to highlight the plight under sanctions of the millions of Mariams left behind. I hoped that a successful campaign against sanctions would help save those children suffering so brutally under sanctions. I had initially wanted Mariam to be cared for by the world-famous Royal Marsden Hospital near London, however they refused to accept her on the grounds that her case was the centre of “political controversy”. I therefore arranged for her to be treated at Glasgow’s Royal Hospital for Sick Children at Yorkhill, in my constituency. The initial press coverage was extremely hostile, even though children from other wars and conflicts have regularly been “mercy-treated” by British hospitals. Indeed many have since from Iraq – including another Iraqi child called Mariam after the invasion – either for government propaganda reasons or out of Christian charity. However, despite the press storm, from the beginning members of the public brought nightclothes, teddy bears and money for Mariam and her grandmother. Slowly the press began to come round to her cause.

38. Bringing Mariam to the UK for treatment signalled the founding of the Mariam Appeal, a political campaign that would work all over the world to highlight the situation in Iraq under sanctions and campaign for the lifting of the embargo while at the same time helping to treat Mariam. In this sense the appeal had a dual purpose. If sanctions were to be lifted, all the Mariams left behind could be treated properly and maybe saved. This was my aim and I never made any bones about the dual purpose of the appeal. I knew instinctively that this child personified the suffering of the Iraqi people under the embargo. In 2002 the organisation ceased to exist. However, during its lifetime, in addition to bringing Mariam to Glasgow for treatment, it took a red London bus on a campaigning tour from Big Ben to Baghdad, where three million Iraqis turned out to receive us. It also took medicines to Iraq, and broke the air embargo by flying from London to the besieged Iraqi capital. It also

funded various visits to Iraq and elsewhere to continue the campaign against the use of sanctions in Iraq.

**My anti-war campaigning (Part 2)**

39. My opposition to the 2003 war in Iraq is well known. I believe the war to have been immoral, illegal, unnecessary and counter-productive. I believe this view to be consistent with that of many of my fellow MPs and many millions of voters. I believe it to be consistent with that of, amongst others, the French, German and Russian governments and of the majority of the members of the European Union and the United Nations. I believe the consequences of this illegal war for international relations and for the United Kingdom's standing in international relations is disastrous. Any attempt by the government of the United Kingdom to condemn further acts of illegal aggression by other nations will be seen as grossly hypocritical by the international community.
40. I am of the view that the war in Iraq was a direct result of regime change in the United States. I believe that the Bush administration was determined to force regime change in Iraq and that this was the primary motive of this war. I believe that the attempt to justify the war on the grounds that we needed to rid Iraq of weapons of mass destruction was disingenuous and a deliberate attempt to mislead. Had George Bush not been elected, I have no doubt that this war would not have happened.
41. If a nation is going to war, I believe it is a right and duty of everyone, and (especially) every elected official, to be led by his or her conscience and speak out honestly about it. I believe that if a nation is to embark on war, it should be one hundred percent convinced that the war is legal and necessary. I do not believe that the nation or its leaders were so convinced.

It is my belief that many of the democratically elected Members of Parliament let the country down by not challenging the case for war vociferously enough. The direct consequence of this is, I believe, that this country went to war when it was unnecessary and illegal.

42. The war was opposed by three of the five permanent Security Council Members (France, China and Russia) and without the agreement of the European Union or even NATO. Two Cabinet Ministers resigned over the war (Robin Cook and Clare Short); John Denham, Lord Hunt and six Parliamentary Private Secretaries also stepped down and 139 Labour MP's voted against military action (Appendix 7). The British public took to the streets in their millions to protest against the war. All of this was ignored by a Prime Minister determined, above all, to support America – even if this meant building a case for war that could not be justified.
43. On 15 February 2003, two million people marched through the streets of London in protest at the proposed military action in Iraq. This was Britain's biggest ever protest march. On 23 March 2003, some 3 days after British troops had invaded Iraq, some 200,000 marched through London and, again, listened to speeches in Hyde Park in protest against the involvement of British troops in Iraq. The Stop the War Coalition (Part 2) is Britain's most diverse political movement. Support for the Stop the War Coalition crosses the boundaries of age, religion and political persuasion.
44. We have now seen the Hutton and Butler reports. It is my belief that many of those who had supported a war or were neutral about it now feel they were badly misled and that had they known then what they knew now they would have joined those marching against the war.

**The Telegraph**

45. As I state above, the Telegraph does not say that the claims it made about me are true, rather they rely on "Qualified Privilege" which I understand to be a "good journalism" defence. In essence the Telegraph is saying that it was entitled to publish what it did about me (regardless of whether it is true or false) because the information it published was of importance to the public (that is, they had a duty to publish) and they behaved reasonably and responsibly in publishing the material.
46. From a layman's point of view, it is hard to stomach the fact that the Telegraph can make the grave and outrageous allegations it has about me and yet it is not prepared to say that they are true. I also find it hard to understand how the Telegraph can claim to have acted reasonably and responsibly in publishing such serious allegations and I do not believe they had a duty to publish.

**Comment on the Telegraph's Defence**

47. Where I am able to, I wish to comment on the Telegraph's Defence. Obviously some of the issues raised in the Defence are matters for legal argument while others raise issues about which I have no knowledge.
48. At paragraph 7.1 of the Defence the Telegraph states that being an elected politician I must accept that my actions are properly subject to media scrutiny and comment. Indeed I do accept this, but I do not accept that my actions are properly subject to improper media

scrutiny or comment based on false facts. I do not think the articles complained of constituted proper scrutiny of or comment on my actions.

49. At paragraph 7.2 the Telegraph states that I have been a long standing and outspoken critic of the war against Iraq and a campaigner for lifting economic sanctions imposed against Iraq by the United Nations. These facts are true, as I have set out above. The Telegraph goes on to say that I was an "apologist" for Saddam Hussein and that I took a pro-Iraq stance. As I set out above, I have never been an apologist for Saddam Hussein but, for the reasons I have already stated, I have taken a stance as a supporter of the Iraqi people. I have never sought or received payment from Saddam Hussein or his regime as an inducement for expressing views or taking actions..
50. At paragraph 7.2(1) the Telegraph draws attention to a visit I made to Baghdad in January 1994. That visit caused a stir in the British media. Unfortunately, some words I used were taken out of context and misreported, to suggest that I had praised Saddam Hussein. I had not done so: my record of opposition to him and his regime was long-standing and well-known. In what I said, I had intended to salute (and, as far as I was concerned, I had saluted) not Saddam Hussein or his regime in Baghdad, but the "courage, strength and indefatigability" of the Iraqi people. With hindsight, I can see that my choice of words was unfortunate. The first I knew about the media fuss was on my arrival back at Heathrow airport. I immediately made clear, publicly, that I had saluted the suffering people of Iraq, not Saddam Hussein. Soon afterwards I publicly expressed my regret for any offence caused to relatives of British victims of the Gulf War in 1991 by what I had said. My public statements at the time reflect my disappointment at how my remarks had been interpreted (Appendix 8).

51. Of course, I had arrived in Iraq from Palestine and had been deeply upset by the bitter and brutal reality of life in that country. Iraq was a sea of misery at this time. Iraqi children were dying at the rate of one every six minutes. Most of these children were too young even to know that they were Iraqis. They were being slaughtered by sanctions purely because they were Iraqis. The day before my ill-fated comments I had listened at the door of a labour ward while a woman gave birth by caesarean section, without anaesthetic. Yet despite all this suffering the Iraqi people continued to resist and hold firm against those who wished to divide and break them.
52. At paragraph 7.2(2) the Telegraph refers to public criticism of me by Ann Clwyd MP at about the time I brought Mariam Hamza back from Iraq. I was not aware that she had described me as an "apologist" for Saddam Hussein, although I was aware that she was critical of my stance over Mariam Hamza. Ann Clwyd is entitled to her view but I disagree with her. I disagree with her and others who were critical over my stance with Mariam Hamza for the reasons set out above. I refute the allegation that I was an apologist for Saddam Hussein. I do not see why Ann Clwyd's views are relevant to the issues in this action.
53. At paragraph 7.2(3) the Telegraph refers to a debate in the House of Commons on 3 November 1998. In that debate, I said what I believed to be true and right. I have attached the extract from Hansard which records this debate (Appendix 9) and would add the following. Scott Ritter, former UN arms inspector and member of the United Nations Special Commission on Iraq (UNSCOM), admitted working with Israeli intelligence (Appendix 10). Further, it has been widely reported by many authoritative agencies (including the BBC) that members of UNSCOM were in fact spies (see Appendix 11). The fact is that Scott Ritter, Richard Butler (Executive Chairman of UNSCOM) and David Kay

(chief nuclear weapons inspector for UNSCOM in 1991-1992) have admitted that UNSCOM recruited from the intelligence community and that, when operatives returned to their respective countries, would most likely have debriefed their intelligence communities (Appendix 12). I believed this was true.

54. At paragraph 7.2(4) the Telegraph refers to a Human Rights Conference in Iraq in December 1998 at which I was a speaker. I acknowledged at that conference the widespread abuses that occurred in Iraq and stated that the impact of sanctions, which led to the deaths of thousands of Iraqi citizens, overpowered them. I stated that, compared to the devastating impact of sanctions on the people of Iraq, "all other infringements of liberties are almost by definition smaller". I gave this speech because I sincerely believed (and still do) that the use of non-military sanctions against Iraq, which resulted in the death of maybe more than a million innocent Iraqis, most of them children, was wrong.
55. At paragraph 7.2(5) the Telegraph refers to my trip from London to Baghdad on a red London bus. This was part of the Mariam Appeal's campaign against sanctions. We crossed three continents, eleven countries and fifteen thousand kilometres on a mission that took sixty days and brought together an eclectic bunch of labour activists, ex-student radicals, musicians, bus-drivers, vegetarians – and a professional pall-bearer. For the final leg from Amman to Baghdad, we were joined by activists from France, Morocco, Algeria, Tunisia, Egypt and Jordan. All this we did in an attempt to draw to the world's attention the plight of the people of Iraq after years of devastating sanctions. In public meetings every night and in uncountable media interviews myself and the many others involved in the project laid into the policy of sanctions and war on Iraq, as a policy of mass murder. I did so because I was passionate about the cause. As we said on the front of the bus, the trip itself was financed by the ruler of the UAE, Sheikh Zayed.



56. At paragraph 7.2(6) the Telegraph refers to one trip I made to Iraq in March 2000. On this occasion I was accompanied by Ewen MacAskill, whose article recounting the trip was published in The Guardian on 16 March 2000. This article is attached at Appendix 13.
57. At paragraph 7.2(7) the Telegraph refers to an interview published in the Sunday Times on 4 March 2001 but does not include the context of the words quoted. I attach the article (Appendix 14). I make the point that Saddam Hussein is no worse than many dictators that Britain at that time was happy to do business with; I do not suggest that Saddam Hussein is a good guy. Funnily enough, in their editorial following the release of The Butler Report on July 15<sup>th</sup> 2004, the Telegraph makes a similar point stating 'There was a matrix of powerful reasons for toppling Saddam, not merely for the brutal way in which he ran his country (there are other despots, after all, whom we do not attack)...'.
58. I am not sure what point the Telegraph is seeking to make at paragraph 7.2(8). It is of course a fact that false documents have surfaced suggesting a link between the Saddam Hussein regime and Al Qaeda. We have also seen that Britain has subsequently been taken to war based on faulty and over-egged intelligence. We also know that sections of our security services have previously concocted documents and allegations against people who are rocking the Government boat. Examples are the Zinoviev letter through the destabilisation of Harold Wilson's Government to the role of the state in the miners' strike. I have attached the full article I wrote in The Guardian (Appendix 15) and in which I spoke out against the proposed war in Iraq.
59. At paragraph 7.2(9) the Telegraph refers to a debate in the House of Commons on 6 March 2002. I attach the extract from Hansard which records this debate (Appendix 16) during

which I spoke out, amongst other things, against the war in Iraq. During the course of the debate, Ben Bradshaw MP, in calling me an “apologist” and a “mouthpiece for the Iraqi regime”, made a clear imputation of dishonour against me which struck at the heart of my political beliefs. I immediately objected that Mr Bradshaw had told a lie about me and I therefore demanded that he withdraw the statement. The Deputy Speaker subsequently suspended the sitting of the House. Later that day the Prime Minister’s official spokesperson (PMOS) made a statement, as recorded in the 4pm briefing on 6 March 2002 (Appendix 17), that “in our view, Mr Bradshaw had not overstepped the mark”. It is clear from the record of the briefing that neither the Prime Minister nor the PMOS even knew what it was Mr Bradshaw had said (since I had called Mr Bradshaw a liar, not vice versa). In any event those remarks were superseded when, the following day, both Mr Bradshaw and I made personal statements to the House (Appendix 18). Mr Bradshaw accepted that he should not have said what he did and apologised for the offence caused. I cannot see the relevance to the Telegraph’s case of Mr Bradshaw’s (voluntarily) withdrawn statements, or the PMOS’ misinformed briefing. I am not sure how this episode supports the Telegraph’s case.

60. At paragraph 7.2(10) the Telegraph refers to an article I wrote concerning my meeting with Saddam Hussein in August 2002, published in The Mail on Sunday on 11 August 2002 (Appendix 19). On that occasion I had asked to see Saddam Hussein because I wanted personally to appeal to him to allow the United Nations weapons inspectors to return to Iraq. At that stage I knew that even a climb-down by Iraq and the re-admittance of the inspectors might well not be enough to stop the clear and present danger of an American invasion. But I thought it was worth a try. I bore with me no good news for Saddam, only an extremely pessimistic analysis of the likelihood of war and my earnest plea on behalf of Dr Blix’s re-admittance.

61. At the end of the interview Saddam looked me straight in the eye and told me "we do not have weapons of mass destruction". At the time I was deeply despondent about his reply. In truth I did not believe him. However, as it turns out, the tyrant was telling the truth and it was George Bush and Tony Blair, the self-appointed leaders of the civilised world, who were not. Saddam Hussein did allow the weapons inspectors to return to Iraq – and a fair lot of good it did him.
62. At paragraph 7.2(11) the Telegraph refers to an article I wrote entitled "Blair's about to open the gates of Hell", published in the Mail on Sunday on 19 January 2003 (Appendix 20). In that article I expressed my view that George Bush had already made up his mind to invade Iraq, irrespective of the findings of UN arms inspectors. Sadly, many of my predictions, such as the expectation of "suicide missions, car bombs, and drive-by shootings" have since come to pass.
63. At paragraph 7.2(12) the Telegraph sets out what it alleges I said on Abu Dhabi TV in April 2003. In fact the Telegraph is wrong in claiming that in this interview I "...called on British troops to disobey their orders because they were unlawful". As I set out below I have said that I believe the war in Iraq to be illegal. I have also said that British soldiers should disobey illegal orders. However, the Telegraph mistakenly says I made these remarks in the Abu Dhabi interview.
64. A BBC monitoring service report of my Abu Dhabi TV interview was relied upon by the Labour Party in their case to expel me. This report appears to record a translation (from Arabic to English) of an earlier translation (from English to Arabic) of what I had said. The report is not, therefore, a verbatim record of my interview. The Telegraph claims that I

said the Allies attacked Iraq like wolves, but this is not true: it is Bush and Blair whom I was describing as wolves. I criticised them, not British troops. The Telegraph says that I urged the Arab world to rise up and kill British troops, but this is not true. I made clear that it was not realistic for a non-Iraqi army to defend Iraq. I also called on Bush and Blair to stop the war and to return to the UN Security Council. I have campaigned against previous conflicts involving British troops. My political ideology is based on the prevention, not the escalation, of war.

65. It is also not true that I called for the 'West to be crippled' by cutting off oil supplies. I thought that those Arab countries that were supplying the Allies with oil and letting them use their land for missile attacks were in the wrong. I also thought they could have helped prevent what I saw as an illegal war, if they had made a stand. When Iraq had invaded Kuwait in 1991, Arab countries had formed part of the force that attacked Iraq. This time there were no Arab armies supporting the invasion of Iraq and I believe that this was because the war did not have Arab support.
66. It is true that I called on British soldiers to disobey *illegal* orders. I did this in an interview by the ITV News Channel. At the time some British soldiers were refusing to follow some orders.
67. On the basis of a gross misinterpretation of my interview on Abu Dhabi TV, The Sun accused me of being a traitor. I had not betrayed my conscience or my duty as a parliamentarian to speak out against what I saw as a crime being committed by my government. Nor had I betrayed the armed forces personnel – those who had done that were the "donkeys" who sent them in to harm's way on the basis of a pack of lies. My response to The Sun's accusations against me included:

"The wolves are Bush and Blair, not the soldiers. The soldiers are lions led by donkeys, sent to kill and be killed.

As for being a traitor, the people who have betrayed this country are those who have sold it to a foreign power and who have been the miserable surrogates of a bigger power for reasons very few people in Britain understand ...

Given that I believe this invasion is illegal, it follows that the only people fighting legally are the Iraqis, who are defending their country.

The best thing British troops can do is to refuse to obey illegal orders."

68. For years, for conferences, rallies, receptions and even a daily internet briefing for thousands – the Iraq Sanctions Monitor – I travelled tens of thousands of miles in my campaign against sanctions. My associates and I drove ourselves to the point of exhaustion and sorely tested the patience of some of our closest friends and family. We did this because we believed that it was right to do so.
69. At paragraph 7.3 the Telegraph refers to the Mariam Appeal, which I helped to set up in 1998 for the reasons set out above. As set out above this Appeal has been the subject of a thorough inquiry by the Charity Commission.
70. At paragraph 7.4 the Telegraph states that I refused to disclose any accounts or indicate the sources of funding to the Mariam Appeal. This is not true. When their journalist Andrew Sparrow called me on 21<sup>st</sup> April 2003, I volunteered to him that the Mariam Appeal "had important and wealthy benefactors, like the royal family of the UAE, the royal family of Saudi Arabia and we had the very generous support of Fawaz Zureikat.' This volunteered information was confirmed when the Charity Commission later reported.

71. During a House of Commons debate on 29 June 1999 I declared my interest in the Mariam Appeal and stated that it had received support from the Governments of Saudi Arabia and the UAE (Appendix 21). The Mariam Appeal made public statements about the sources of its funding. Sheikh Zayed's sponsorship of the Mariam Appeals' Big Ben to Baghdad bus mission was reported by CNN (Appendix 22), included in the Mariam Appeal's promotional material (Appendix 23) and even advertised on the bus itself.
72. At paragraph 7.5 the Telegraph states that I changed the object of the Mariam Appeal once Mariam had received her treatment. This is not correct. In fact, as set out above, the Mariam Appeal always had a dual purpose. There was nothing wrong with the Appeal paying for overseas trips, as the Charity Commission has found. I disclosed that the Mariam Appeal had paid for expenses relating to overseas visits I made, relating to the campaign to end sanctions in Iraq, in the Register of Members' Interests (Appendix 24).
73. The Sunday Times' article on 21 May 2000, to which the Telegraph refers, which stated that the UAE had contributed to the Mariam Appeal. This was not a new revelation: I had publicly stated this in the House of Commons almost a year previously (as I say above). The Times' report, published on 5 April 2003, that the Mariam Appeal paid for my overseas trips was based on the Register of Members' Interests. This article led to the inquiry by the Charity Commission, which cleared me of any wrong doing in respect of these trips. The Sunday Times then pre-empted the publication of the Charity Commission's report with an article claiming the Charity Commission had found me guilty of misusing funds on a political campaign. In fact, the opposite is true.
74. At paragraph 7.31, the Telegraph asserts that the acting editor on 21 April 2003, Mr Darbyshire, was convinced that the information in the Iraqi documents and the questions

they raised were serious and “deserved investigation by the proper authorities” and full public scrutiny; he discussed the matter with the editor. If the documents “deserved investigation by the proper authorities”, such an investigation should have been done before the serious allegations were published to the world at large. The reality is that when they went to print on 21 April 2003, the Telegraph had only got three documents translated. They were not to know that there was not another document suggesting that the ones translated were a try on, a joke or the work of someone trying to hoodwink the intelligence services. They were not to know whether the other documents made other spurious claims about other public figures. They rushed to publish a “scoop”. There was no duty, and it was irresponsible, to publish these very damaging false allegations so quickly and before any investigation by “the proper authorities” had been carried out.

75. At paragraph 7.33 the Telegraph claims that it “was scrupulous to ensure that the discovery of the Iraqi documents and their contents were put, in detail” to me. It goes on to claim that one of its journalists, Andrew Sparrow, put the facts of the discovery of the Iraqi documents and their contents in detail to me and obtained my comments. Although I spoke to Andrew Sparrow, he did not put the facts of the discovery of the documents and their content to me in detail, but rather gave the briefest summary of their content and no proper detail as to how they were discovered. The Telegraph did not give me a fair or proper opportunity to consider the allegations it intended to make against me or to make a full and considered response. Of course, the Telegraph could have given me the opportunity to see the documents and their translations of them, so that I could make a considered response. It did not do so. Further, the allegation put to me by Mr Sparrow was that the Mariam Appeal had received sums from the Iraqi regime - not that ‘Galloway was in Saddam’s pay’ as the front page of the Telegraph screamed on 22<sup>nd</sup> April 2003. Under a sub-heading that read ‘Labour MP ‘received at least £375,000 a year’ the Telegraph’s

coverage that day starts 'George Galloway, the Labour backbencher, received money from Saddam Hussein's regime, taking a slice of oil earnings worth at least £375,000 a year, according to Iraqi intelligence documents found by the Daily Telegraph in Baghdad.' The allegation that I had personally received vast amounts of money was not put to me by Mr Sparrow (or anyone else) before publication.

76. I did not have the documents before me that Mr Sparrow was referring to and (contrary to what is stated in the articles complained of) he did not read out to me the content of those documents but rather gave me a summary of their contents. I was also not told that the Telegraph intended to publish its story the next day.
77. Given the seriousness of the allegations the Telegraph was about to make and the extent of the Telegraph's coverage on 22 and 23 April 2003, it is instructive to examine exactly what information Mr Sparrow gave me. On the question of discovery Mr Sparrow informed me only that 'Documents have come to light in Baghdad'; that a document had been found 'in the foreign ministry'; and that some other documents dated 'February of that year' had come to light. This should be compared to the detail of what the Telegraph published (and in particular David Blair's article 'How I found the papers in the looted ministry') and what the Telegraph pleads in its defence about the discovery of documents. The Telegraph relies on the circumstances of how the documents were found and the condition they were found in to support their contention that they believed the documents to be authentic. At paragraph 7.26, it states one reason why Mr Blair believed that the documents were authentic was that they were bound in files with other documents that had similar crests, signatures and markings. The Telegraph's defence continues 'The documents looked similar to official Iraqi documents that Mr Blair had seen on his earlier visits to Iraq. The correspondence was in large part mundane and routine and the majority of the folders had



an index. The documents appeared to Mr Blair to look authentic. If individual documents were forged, then they would need to have been inserted into the middle of the folder and the whole folder re-bound with a distinctive single bowed knot, meaning that any forgery would have had to have been extraordinarily elaborate.' None of these matters were put to me, not even when I suggested the documents I was told about might be forgeries (a possibility which the Telegraph states in its Defence that it had considered). Another factor said to have indicated to Mr Blair that the documents were authentic were the 'circumstances of their discovery'; these were not put to me.

78. Mr Sparrow gave me only limited details on the content of the documents. In relation to the 'Mariam Campaign Memo' I was told that it was from the head of the Iraqi intelligence services; dated January 2000; about a meeting one of his agents had with Fawaz Zureikat who represented the Mariam Campaign in Iraq; that the campaign wanted to carry on its campaigning activities on behalf of Iraq; it needed money; the issue was sensitive (the Mariam Appeal needed money from the Iraqi government but direct payments would be too sensitive and therefore some kind of commercial cover would be needed); the campaign was asking for an increase in the oil contracts it had (subsequently approved); that the memo talks about concessions for trading; three million barrels of oil for six months which amounted to something in the region of 200,000 pounds sterling; the meeting with Iraqi intelligence took place on Boxing Day, 26 December 1999.
79. In relation to the 'Work Programme letter' I was told; there was a memo from Tariq Aziz; this was something to do with the oil for food programme and raised all sorts of questions about the Mariam Campaign and its relationship with the Iraqi regime; the work programme had the approval of the president and that all ministers should carry it forward; needed four cabinet ministers to rubber stamp it.

80. In relation to the 'Appointment letter' I was told the following; that it made clear that Fawaz Zureikat was my representative in Iraq.
81. As can be seen, the full contents of the documents were not put to me. I was certainly not told that I was personally to be accused of soliciting money and being in 'Saddam's pay'.
82. At Paragraph 7.30 of its defence the Telegraph sets out what it thought the documents they had found appeared to show. Points (3); (5); (6) and (9) were not put to me at all and paragraph (7) was not put to me in this way.
83. At Paragraph 7.34, the Telegraph sets out its claim to have put the gist of my side of the story they were publishing. My 'side' was necessarily coloured by the story that was put to me and, naturally, I could not respond to accusations that had not been made to me. On 22 April I was lambasted for suggesting the documents may be forgeries, but of course I had been given very little information by that time. As I said to Mr Sparrow about one of the documents, 'if such a memo exists, then it is a forgery, it is reporting to or purporting to point to things which never happened' and 'the key parts' of what he was saying to me are false.
84. The Telegraph claims at paragraph 7.37 of its Defence that it "did not assert in any of the articles complained of that the contents of the Iraqi documents were true." I do not believe this to be true. The articles about which I have sued in this action made the false allegations about me referred to above (as set out in my Particulars of Claim).

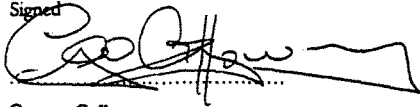
85. At paragraph 7.39 the Telegraph sets out why it says that it had to publish its allegations urgently. In that paragraph they claim they were worried that the documents would be confiscated, but the Telegraph's solicitors told my solicitors on 6 May 2003 that the documents had been digitally photographed and transmitted to the Telegraph on 21<sup>st</sup> April 2003. As stated above, the Telegraph had only translated three documents when they published their articles on 22 April 2003. They had put to me few of the facts but had contacted none of the other people mentioned in the articles.
86. At paragraph 7.36(1)(c) and (d) I am accused of being "evasive" when asked about my knowledge of the "work programme" and "defensive" when asked about the funding arrangements of the Mariam Appeal. I do not think this is true or fair especially given the information I was being given
87. The allegations published by the Telegraph were very serious and incredibly damaging to my reputation. Before publishing them, it should have exercised the highest degree of responsibility; but it did not do so. The Telegraph took the opportunity to attack me and to seek to discredit my criticisms of the war in Iraq (and the sanctions imposed).
88. From the beginning, the Telegraph has stood by its "scoop that led the news" which, as it stated on its front page on 23 April 2003, "generated intense interest around the world" and made "headlines on every continent". The allegations have not been corrected or withdrawn by the Telegraph. It has offered no apology for publishing the articles about me. Inevitably, the allegations in the article have had a continuing effect on me.
89. I would ask that the Court recognises the Telegraph did not act responsibly in publishing the allegations it did about me in the manner that they did. These highly damaging

allegations have caused my reputation severe damage which needs to be repaired. I cannot imagine nor can I remember more serious allegations being made against a politician. In the circumstances I would ask for the remedies I have asked for in this action.

**Statement of Truth**

I believe that the facts stated in this witness statement are true.

Signed

A handwritten signature in black ink, appearing to read 'George Galloway', written over a dotted line.

George Galloway

.....22.7.04.....

Dated

30-04-2003 13:17 From=LONDON CITY DBC

02074071427

T-974 P.002

F-478

**Lloyds Bank**

Authority 5 (1995) Society, Club or similar body

30.99.50  
0223776

4.95

**AUTHORITY FOR SOCIETIES, CLUBS AND ASSOCIATIONS**

To Lloyds Bank Plc

Name of Society, Club or Association <u>THE MARIAM APPEAL</u>		(“the Association”)
Address <u>ROOM 501</u> <u>7 MILLBANK</u> <u>LONDON</u> <u>SW1A 0AA</u>		Address for statements and correspondence if different

At a Meeting of the COMMITTEE (see note 1)  
of the Association on 18<sup>th</sup> day of February 19 99 the following resolutions were passed:

- (1) That an account(s) be opened/continued with Lloyds Bank Plc (“the Bank”)
- (2) That the Bank be instructed to:
  - (a) honour and debit to the account(s) of the Association (whether any account is in credit or overdrawn or becomes overdrawn as a result of any such debit) all cheques, drafts, bills of exchange, promissory notes or other orders (including standing orders and direct debits) for the payment of or receipts for money, provided they are signed by THE CHAIRPERSON AND THE SECRETARY (see note 2) and
  - (b) accept the instructions of THE CHAIRPERSON AND THE SECRETARY (see note 2) as authority for the Bank to deliver any deeds, securities, or other items the Bank holds in safe custody or for any other purpose.
- (3) That the Bank be provided with a copy of the Rules and Regulations of the Association and also with copies of any resolutions amending them that may from time to time be passed certified by the Chairperson or the Secretary (see note 3).
- (4) That the Bank be provided with a list of the names of officials of the Association and also with copies of any resolutions amending them that may from time to time be passed certified by the Chairperson or the Secretary.
- (5) That these resolutions be communicated to the Bank and remain in force until an amending resolution shall be passed by the COMMITTEE (see note 1) and a copy of such resolution, certified by the Chairperson or the Secretary, shall have been received by the Bank.
- (6) The Bank may act on enquiries as to the ci

Permanent Subcommittee on Investigations

Galloway Testimony Report

EXHIBIT #3

We certify that the foregoing resolutions have been duly entered in the Minute Book and are in accordance with the Rules of the Association. We also confirm that the signatures appearing below are those of the duly authorised officials. We have initialled all alterations to this authority.

x Stuart  
Chairperson  
x George Galloway  
Secretary

Where there is a change in the Chairperson and/or Secretary confirmation by the outgoing Chairperson and/or Secretary is required.

x Stuart  
Chairperson  
George Galloway  
Secretary

Notes \*Delete as appropriate

1: Enter either "Committee" or name of other governing body.

2: Insert appropriate signing arrangements eg "Any two members of the Committee", "the Treasurer", "the Treasurer and the Secretary", "any two persons listed in the Schedule below", "the Treasurer and any one person listed in the Schedule below" etc.

3: If there are no written Rules or Regulations then this section should be deleted.

### The Schedule of Persons authorised to sign

All signatories to the account must complete this section

Full Name	Office Held	Signature (see note below)
STUART HAMFORD	CHAIRPERSON	<u>Stuart</u>
George Galloway	Secretary	<u>George Galloway</u>

Note: Please rule a line diagonally across all the spaces left blank.

Where an account(s) and/or the signatories are domiciled in Scotland, all signatories must write the words "as holograph" in their own handwriting before their signatures.

Lloyds TSB Bank plc  
Pall Mall Group  
Customer Service Centre  
Essex House

## MINUTES

### The MARIAM APPEAL

Meeting - 14th April 1999

Present George Galloway, Dr Amineh Abu-Zayyad, Stuart Halford,  
Sabah Al-Mukhtar

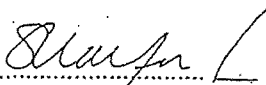
Item 1                      Finances

It was resolved by the above committee that upon securing approval for the project from the authorities in the United Arab Emirates that Dr Abu-Zayyad, Mr Al-Mukhtar and Mr Halford would be authorised to open an account called the MARIAM APPEAL with the National Bank of Abu Dhabi to reflect our gratitude to the His Excellency the Deputy Prime Minister Sheikh Sultan Bin Zayed Al-Nahyan.

It was also resolved by those present that the National Bank of Abu Dhabi would be authorised to act on the instructions of any two of the following three signatories. Those selected as signatories are Dr Abu-Zayyad, Mr Al-Mukhtar and Mr Halford. All three agreed to be the signatories for the account.

A.O.B.                      None

Signed

  
.....  
Stuart Halford - Vice Chairman

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #4

Mandate for Unincorporated Associations

TO

**NATIONAL BANK OF ABU DHABI**  
 INCORPORATED WITH LIMITED LIABILITY IN ABU DHABI

Date 14th April 1999Name of the Association MARIAM APPEAL

My \* COMMITTEE request you to open  
 an account in the name of the Association

I accordingly hand you herewith-

- (1) an up-to-date copy of the constitution of the Association
- (2) a certified copy overleaf of the appropriate Resolution
- (3) specimen signatures of the persons authorised to sign

 Chairman

Address to which statements are to be sent.

ROOM 5017 MILLBANKWESTMINSTER, LONDON SW1A 0AA

\* Insert 'Committee' or as the case may be

† Delete as appropriate

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #5**

ACCOUNT  
CLOSED




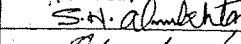
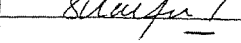
## COMMITTEE

At a Meeting of the \_\_\_\_\_  
 of the MARIAM APPEAL  
 held on the FOURTEENTH day of APRIL 19 99

It was resolved :-

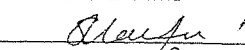
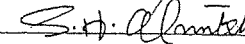
1. That Nat. Bank of Abu Dhabi (the Bank) be authorised to honour all cheques or other orders for payment drawn upon any account or accounts for the time being kept with the Bank in the name of the Association notwithstanding that any such payment may cause such account or accounts to be overdrawn or increase any existing overdraft provided they are signed by Any two of the authorised signatories jointly
2. That the Bank be authorised to accept all requests and receipts for the delivery of securities papers or other property if signed by any two of the authorised signatories jointly
3. That the Bank be given a list of the names of the signing Officers and be advised in writing under the hand of the Secretary of any changes that may take place and the Bank be entitled to act upon the signatures so given. \*
4. That these Resolutions be communicated to the Bank and remain in force until revoked by notice in writing to the Bank signed by the Chairman or the Secretary acting or purporting to act on behalf of the Society Club or Association and the Bank shall be entitled to act upon such notice.

## Specimen Signatures

Full Names - including title (Block letters please)	Description e.g. Secretary, Treasurer, Chairman	Specimen Signature
Dr Aminah Abu-Zayyad	Authorised Signatory	
Mr Sabah Al Mukhtar	" "	
Mr Stuart Halford	" "	

Certified that the above Resolutions were duly passed and entered in the Minute Book of the Association and duly signed by the Chairman and that the specimen signatures recorded above are correct.

Dated 14th April 19 99

  
  
 XXXXXX  
 XXXXXX

Authorised Signatories

- \* Insert 'Committee of Management' or as the case may be
- \* Insert name of Association
- \* Delete as appropriate
- \* Insert e.g. 'Chairman and Secretary for the time being' or as the case may be
- \* Any change of signatory should be notified

In the Name of Allah the compassionate and Merciful  
Republic of Iraq  
President's Office  
Iraqi Intelligence Service  
Confidential and Personal  
Letter no. 140/4/5  
1/3/2000

To: The President's Office – Secretariat  
Subject: Mariam Campaign

1. We have been informed by our Jordanian friend Mr. Fawaz Abdullah Zureikat (full information about him attached appendix no. 1) who is an envoy of Mr. George Galloway because he participated with him in all the Mariam Campaign's activities in Jordan and Iraq, the following:

(a) The mentioned campaign has achieved its goals on different levels, Arabic, international and local, but it is clear that by conducting this campaign and everything involved in it, he puts his future as a British member of parliament in a circle surrounded by many question marks and doubts. As much as he gained many supporters and friends, he made many enemies at the same time.

(b) His projects and future plans for the benefit of the country need financial support to become a motive for him to do more work and because of the sensitivity of getting money directly from Iraq it is necessary

(1-5)  
Secret and Personal

**Permanent Subcommittee on Investigations**  
**Galloway Testimony Report**  
**EXHIBIT #6**

to grant him oil contracts and special and exceptional commercial opportunities to provide him with a financial income under commercial cover without being connected to him directly. To implement this Mr. Galloway gave him an authorisation (attached) in which he pointed out that his only representative on all matters related to the Mariam Campaign and any other matters related to him is Mr. Fawaz Abdullah Zureikat and the two partners have agreed that financial and commercial matters should be done by the last (Zureikat) and his company in co-operation with Mr. Galloway's wife Dr Amina Abu Zaid with emphasis that the name of Mr. Galloway or his wife should not be mentioned later.

2. On 12/26/1999 the friend Fawaz arranged a meeting between one of our officers and Mr. Galloway in which he expressed his willingness to ensure confidentiality in his financial and commercial relations with the country and reassure his personal security. The most important things that Mr. Galloway explained were:

(a) He stressed that Mr. Fawaz Zureikat is his only representative in all matters concerning the Mariam Campaign

and to taking care of his future projects for the benefit of Iraq and the commercial contracts with Iraqi companies for the benefit of these projects. But he did not refer to the commercial side of the authorisation he granted to Mr. Fawaz for reasons concerning his personal security and political future and not to give an opportunity to enemies of Iraq to obstruct the future projects he intended to carry out.

(b) He is planning to arrange visits for Iraqi sports and arts delegations to Britain and to start broadcasting programmes for the benefit of Iraq and to locate Iraq On Line for the benefit of Iraq on the internet and mobilise British personalities to support the Iraqi position. That needs great financial support because the financial support given by Sheikh Zaid is limited and volatile because it depends on his personal temper and the economic and political changes. Therefore he needs continuous financial support from Iraq. He obtained through Mr. Tariq Aziz 3 million barrels of oil every six months, according to the oil-for-food programme. His share would be only between 10 and 15 cents per barrel. He also obtained a limited number of food contracts with the Ministry of Trade. The percentage of its profits does not go above

1 per cent. He suggested to us the following:

First, increase his share of oil. Second, grant him exceptional commercial and contractual facilities, according to the conditions and suitable qualities for the concerned Iraqi sides, with the Ministry of Trade, the Ministry of Transport and Communications, the Ministry of Industry and the Electricity Commission.

(c) Mr. Galloway entered into partnership with the Iraqi Burhan Mahmoud Chalabi (available information in appendix 2) to sign for his specific oil contracts in accordance with his representative Fawaz, benefiting from the great experience of the first in oil trading and his passion for Iraq and financial contribution to campaigns that were organised in Britain for the benefit of the country, in addition to his recommendation by Mr. Mudhafar al-Amin, the head of the Iraqi Interests Section in London.

3. We showed him that we are ready to give help and support to him to finish all his future projects for the benefit of the country and we will work with our resources to achieve this. But we should not be isolated from Mr. Tariq Aziz supervising the project in its different aspects. We are going to make arrangements with him to unite the positions and cooperate to make the work succeed.

4. In accordance with what we have said, we suggest the following:

(a) Agreement on his suggestion explained in article 2 b.

(b) Arranging with Tariq Aziz about implementing these suggestions and taking care of the projects and Mr. Galloway's other activities.

Please tell me what actions should be taken.

Regards,

[Signature]


Director of Intelligence Apparatus  
01/02/2000

Enclosures:


1- Two appendixes

2- One page authorization

بسم الله الرحمن الرحيم



رئاسة الجمهورية  
جهاز القابلات



السلطة الفلسطينية

العدد / التاريخ / ١٤ / ٥١٢

في ضوء ما تقدم بفتح الآتي :-

- أ - الموافقة على مقترحاته المبينة بالمادة ٩ من الميثاق الأساسي
- ب - التنسيق مع الأستاذ طارق عزيز بشأن تنفيذ المقترحات ومتابعة مشاريع وأنشطة السيد
- ج - الأخرى

للتفصيل بالاطلاع .. تنسيبكم .. مع التقدير

الموافق

١ - ملحق عدد «١»

٢ - تحويل من صفحة واحدة

مدير جهاز القابلات

٢٠٠٢ / ١٤

بسم الله الرحمن الرحيم

٧٨ / ٢١ / ٨٤

سري ومتمم

جمهورية العراق  
رئاسة الجمهورية  
جهاز المخابرات

العبد / ٥ / ٤ / ١٤٠١

التاريخ / ٢٦ / ٨ / ١٤٠١

٢٠٠٠ / ١ / ٢

الى رئاسة الجمهورية - السكرتير  
الموضوع / قافلة مرسية

أعلمنا الصديق الأردني "فواز عبد الله زريقات" طيباً المعلومات الشخصية المتوفرة عنه "ملحق رقم ١" نقلاً عن السيد "سويح كالموي" كونه شارك معه في كافة الفعاليات التي قامت بها قافلة مرسية في الأردن والعراق... الآتي:


لقد حققت القافلة المذكورة أهدافها على مختلف المستويات العربية والدولية والمحلية، إلا أن من الحقائق الواضحة أنه بقاءه يهدد الحملة وما جعلته من مضامين سياسية قد وضع مستقبله كبرلمانى بريطاني في دائرة مخاطرة العديد من علامات الاستفهام والشك أد أنه بالقدر الذي كنس فيه العديد من العربيين والأصدقاء فأنت كذلك نجد العديد من الأعداء المنضبطين به.

أن مشارعته وخطته المستقبلية لصالح الوطن بحاجة إلى عطية مالية تكون حافزاً له لعمل المزيد وبطرق الحساسة لتلبية أمله أمثال بشكل مباشر من العراق فأى من الضروري


سري ومتمم




بسم الله الرحمن الرحيم



الوزارة  
رئاسة المخابرات  
جهاز المخابرات



سري ومحملي



IRAQI  
INTELLIGENCE SERVICE  
IRIS

العدد / التاريخ / ١٤ / ١٩٨٤

منحه عقود انظرية وفرضات تجارية خاصة واستثنائية لتوفير  
عوائد مالية تحت غطاء تجاري دون ربطها به مباشرة. ومن  
أجل تنفيذ ذلك فقد أعطاه السيد «كالوي» تفويلاً من أخته  
طياً، ويشير فيه إلى أن الممثل الوحيد للمتابعة كل ما له علاقة  
بقافلة مريم وأية أمور أخرى ذات صلة به هو السيد «منازل  
عبد الله زريقات» وقد اتفق الطرفان أن تتم الأمور التجارية  
والمالية عن طريق الأخير ومؤسسته بالتنسيق مع  
زوجة السيد «كالوي» الدكتورة «أمينة أبو زيد» مع أهمية عدم  
التطرق إلى اسم السيد «كالوي» أو زوجته لاحقاً.

٢- بتاريخ ١٩٨٦/١٢/١٩ رتب الصديق «فواز» لقاءاً لأحد ضباطنا  
مع السيد «كالوي» الذي أعرب عن رغبته في هذا  
اللقاء لضمان السرية في علاقاته التجارية والمالية  
مع القطر والأطمئنان على أمنه الشخصي وأسر  
ما بين السيد «كالوي» -

٣- أكد ما عرضه علينا ممثله بأن الممثل الوحيد  
له هو السيد «فواز زريقات» في كل ما يتعلق بقافلة

( ٥ - ٦ )  
سري ومحملي

بسم الله الرحمن الرحيم

جمهورية العراق  
رئاسة الجمهورية  
جهاز المخابرات



سري وموثوقي



IRAQI  
INTELLIGENCE SERVICE  
IRIS

العدد /

التاريخ / ١٤ / ٥١٤ هـ


١١٠ م

مريم ومتابعة مشاريعه المستقبلية لصالح العراق والعقود التجارية مع المؤسسات العراقية لصالح هذه المشاريع وأنه لم يشر إلى الجانب التجاري في التحويل الذي منحه للسيد «فوزان» لأسباب تخص أمنه الشخصي ومستقبله السياسي ولعدم إعطاء فرصة لأعداء العراق بهاجمة المشاريع المستقبلية التي ينبغي تنفيذها.


ب- يخطط لترتيب زيارات لوفود عراقية رياضية وفنية إلى بريطانيا وأنشاء أذاعة قيثبرامج لصالح العراق وتحديد موقع لصالح العراق في شبكة الأنترنت والتحول على شخصيات بريطانية لدعم الموقف العراقي وأن ذلك يتطلب تمويلًا كبيرًا لأن التمويل الذي يقدمه الشيخ من أيدٍ محدود وغير ثابت إذ يعتمد على من أجله الشخصي والمتغيرات السياسية والاقتصادية لذلك يحتاج إلى تمويل مستمر من العراق حيث أنه حصل من خلال الأستاذ «طارق حبيب» على ثلاثة ملايين رطل فكل سنة أشهر في أطار فكرة التماهير ستكون حصته منها محدود «١٠-١٥» سنًا للبرميل الواحد فقط. كما أنه حصل على عقود محدودة للمواد الغذائية مع وزارة التجارة لا تتعدى نسبة

(٣-٥)  
سري وموثوقي

بسم الله الرحمن الرحيم



سري ومقتضى



IRAQI  
INTELLIGENCE SERVICE  
IRIS

العدد / التاريخ / ١٤ / ١٩

أرواحها « ١ / ١ » لذلك أقترح علينا الآتي :-

أولاً: زيادة حصته من النفط.

ثانياً: منحه تسهيلات تجارية وتعاقدية استثنائية ضمن الشروط والمواصفات المناسبة للجهات العراقية المعنية مع وزارات « التجارة ، النقل والمواصلات ، الصناعة وهيئة الكبريت ».

جـ - قلر بإشراك العراقي « برهان محمود الجليبي » طبيباً المعلومات المترتبة عنه ملحق خزانة ليتوقع عقود النفط الخاصة به بالتنسيق مع ممثل « عراق » مستفيداً من خبرة الأول الكبيرة في مجال تسويق النفط ولتعاطفه مع العراقي ومشاركته مادياً في الحملات التي تنظم في بريطانيا لصالح القطر إضافة إلى تزكيتهم قبل رئيس قس سرطانية مصالح العراق في لندن السيد « مظفر الأمين ».

٣ - بيناله بأننا على استعداد لتقديم المساعدة والدعم له من أجل أنمار مشاريعه المستقبلية لصالح القطر كافة. وسنعمل مع مراجعنا لتحقيق ذلك ولكن يجب أن لا تكون لمغزل عن أشراف الأستاذ وطارق عزيز « على العملية لجوانبها المختلفة حيث مستقر بالتنسيق معه لتوحيد المواقف والتعاون في تقدير الأفضل لأنجاح العمل.

(م.م.م.)  
سري ومقتضى

1. Defendant
2. David Joseph Blair
3. First Witness Statement
4. Exhibits "DJB 1" to "DJB 16"
5. 5 June 2004

IN THE HIGH COURT OF JUSTICE

CLAIM NO: HQ03X02026

QUEEN'S BENCH DIVISION

BETWEEN

GEORGE GALLOWAY MP

Claimant

V

TELEGRAPH GROUP LIMITED

Defendant

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FIRST WITNESS STATEMENT OF DAVID JOSEPH BLAIR

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I, DAVID JOSEPH BLAIR of One Canada Square, Canary Wharf, London E14 5DT will say as follows:-

My background and role at *The Daily Telegraph*

1. I make this statement from facts within my own knowledge except where I indicate otherwise. In January 2002 I entered into a contract with Telegraph Group Limited ("the Telegraph"), the Defendant in these proceedings, and became a staff foreign correspondent on *The Daily Telegraph*, the position I still hold. I am required to travel to countries designated by the Telegraph and report on any stories of interest. I started work for the Telegraph in May 1999 as a freelance reporter based in Harare, Zimbabwe. In February 2004 I was nominated for Foreign Reporter of the Year in the British Press Awards 2004.

2. I graduated from Oxford University in 1994 with a first class honours degree in Philosophy, Politics and Economics. After a brief stint with Shell International, a postgraduate degree in International Relations from Cambridge University and some independent travelling, I took up freelance journalism in August 1998. I based myself in Kampala, Uganda for 9 months. During this time, I contributed to a number of publications, including the Telegraph. Then in May 1999 I began working in Harare, Zimbabwe for the Telegraph as a 'super-stringer'. This meant that in exchange for the Telegraph paying me a monthly retainer I would not write for other British publications, though I would continue to be paid on a freelance basis for the work I did.
3. While in Harare, I witnessed the terror campaign conducted by the Mugabe government against the black opposition and white farmers. This reached its peak between January and June 2000 when parliamentary elections were held. This was an extremely turbulent time in Zimbabwe's political history. President Mugabe's government very much regarded journalists, and in particular British journalists, as being contributors to its country's problems. My work and residence permits were due to expire in June 2001. 10 days or so beforehand, Mugabe's government told me that my permits would not be renewed and so I was forced to leave Zimbabwe. I did so on 30 June 2001.
4. I spent the rest of 2001 researching and writing a book about Zimbabwe, "Degrees in Violence: Robert Mugabe and the Struggle for Power in Zimbabwe" which was published in February 2002. The Foreign Press Association named me Young Journalist of Year 2001 for my coverage of Zimbabwe. After being placed fully on the staff of the Telegraph in January 2002, I spent some months as a roving foreign correspondent based in London. I reported from Pakistan, Zimbabwe (where I returned as a tourist but reported on the presidential election), Israel and Iraq. Then in June 2002, I was posted to Pakistan. I arrived in Islamabad just as the Foreign Office was advising all British citizens to leave the country because of the escalating threat of war between India and Pakistan. The plan had been for me to remain in Islamabad for 2 years but, after the confrontation with India was defused, the Iraq crisis increasingly became more of a story and I ended up concentrating upon that to the exclusion of almost everything else.

Baghdad Pre -War

5. I first visited Iraq in April 2002 when I was sent by the Telegraph to report on Saddam Hussein's 65th birthday celebrations in Tikrit and Baghdad. I was in Iraq from 25 April to 6 May 2002. A few days before leaving Baghdad, I happened to meet George Galloway MP at the Al-Rashid hotel. I was introduced to Mr Galloway by an acquaintance of mine called Ewen MacAskill, the diplomatic editor of the *Guardian* newspaper. I recall having a brief and informal conversation with Mr Galloway. Some time later I went out to dinner with Mr Galloway and a group of about a dozen people who were accompanying him on his visit. Again we had a brief and informal discussion but I do not recall what we discussed. On both occasions he struck me as articulate, humorous and likeable.
6. At the time of these encounters I knew very little about Mr Galloway other than that he was a left wing Labour MP with an interest in the Middle East and that he was opposed to the United Nations sanctions imposed against Iraq. I had vaguely heard of the Mariam Appeal and understood that Mr Galloway had founded it. As a result of these two encounters I wrote an article about Mr Galloway. Some months later, I mentioned him in a piece I wrote about the Al-Rashid hotel in Baghdad. I refer to copies of both the articles marked "DJB 1".
7. In October 2002 I went back to Baghdad to report on the referendum that was being held to determine whether or not Saddam Hussein should continue to be the President of Iraq. I remained in the country for approximately 20 days, during which time I reported on various events. In particular, I recall visiting the largest prison in Iraq, which is located at Abu Ghraib. I visited Iraq (and more particularly Baghdad) on 2 further occasions prior to 11 April 2003 (when I returned after the war). During 4 pre-war visits to Iraq, the last ending on 18 March, I spent approximately 3 months in the country, the vast majority of which was in Baghdad. On all except the first of these occasions I was accompanied by Heathcliff O'Malley, a freelance photographer who works primarily for the Telegraph.
8. During my visits I became familiar with the city, the location of its government buildings and the bureaucratic way in which the Iraqi regime operated. When visiting Baghdad, journalists were usually only granted a 10-day visa that could be renewed for

a further 10 days at the discretion of the information ministry. Prior to the war it was not possible to move about Baghdad without a government-appointed minder. You were, however, able to choose your own driver and on 2 of my visits before the war started I employed the same one (who, I later learned, was tragically killed during the last stages of the war).

Baghdad - Post 11 April 2003

9. The Telegraph withdrew me from Baghdad in anticipation of war on 18 March 2003 – the day the UN weapons inspectors were withdrawn – and I was based in Jordan for its duration. On Friday 11 April, 2 days after US forces secured the centre of Baghdad and Saddam Hussein's statue was toppled, I arrived back in the city with a large convoy of journalists. There were hundreds of reporters there already. A few hours after my arrival I filed a story for *The Daily Telegraph* about my journey and reset the clock on my laptop computer to show Iraq time, which for some months after 5 April is 3 hours ahead of the time in Britain. This is something I routinely do whenever I send my first story from a country in which I have just arrived.
10. Baghdad was in chaos. There appeared to me to be a complete absence of law and order. Every government building and ministry was open to anyone who dared to wander inside. Many of these buildings had been looted and bombed. At first I stayed at the Andalus hotel. After one night I moved to the Palestine hotel. Some 4 or 5 days later I moved to the Al-Hamra hotel.
11. I first met my translator, <sup>A</sup>, at the Palestine hotel on Sunday 13 April. I was introduced to him by the driver, <sup>B</sup>, who I had hired the previous day. <sup>A</sup>  

His spoken English was very good and he struck me as calm and friendly. I worked with him every day from then onwards.

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12. On my arrival, I met lots of journalists I knew, including Mr O'Malley, and it appeared that the Palestine hotel had become the informal meeting place for the world's press. This was largely due to the fact that the Palestine hotel was the largest functioning hotel in Baghdad. I knew from conversations I had had with colleagues that many journalists had entered government ministries to look for interesting documents.
13. On Tuesday 15 April, during a routine daily telephone conversation with Francis Harris, the Telegraph's deputy foreign editor, he told me that a *Sunday Telegraph* journalist had found a document in the headquarters of the Mukhabarat, Iraq's intelligence service, and that he had written a story based on it. I do not recall what the story was about or what the document was. In any event, Mr Harris suggested I should also look in former government buildings for interesting documents. Mr Harris placed no particular emphasis on this and no specifics were mentioned.
14. On Wednesday 16 April, I visited the headquarters of the Mukhabarat in central Baghdad with: B (my driver), A (my translator) and another British journalist, Kim Sengupta of the *Independent* of London. This large complex of buildings had been bombed and looted. There was little left and every room appeared to have been stripped bare. We visited some offices, but the only documents we saw were fragments of paper scattered across the floor. As well as looking for documents, I was interested in finding the cells where the ousted regime's prisoners had been held. But it soon became clear that finding them in this devastated complex of buildings was impossible. We stayed for less than 1 hour and found nothing of interest. For the next 2 days, I worked on other unrelated stories.

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#### Saturday 19 April 2003

15. On Saturday 19 April I decided to look for documents once again by going to the foreign ministry in central Baghdad. Saturday was my day off and the only day of the week when I did not need to worry about filing stories. There being nothing else to do in Baghdad in one's spare time, I thought that I might as well have a look inside the ministry on the off chance of finding something of interest to the Telegraph. I went there for the following reasons:



- a) The foreign ministry is near to the Al-Rashid hotel, where I had stayed during 3 of my 4 pre-war visits to Baghdad. On those occasions I had driven past the ministry building every day. I knew exactly where it was and I was genuinely curious to know whether this familiar landmark had survived the war.
- b) Many journalists in Baghdad had visited the Mukhabarat headquarters before I got there, so all surviving documents had already been removed but I was not aware of any journalist having been to the foreign ministry.

16. I was turning over in my mind the thought of finding documents about Tony Blair. I was curious to know how the Iraqis viewed him. Did they believe their own propaganda and see him as a puppet of the Americans, a brainless dupe and a warmonger? Or did they view him as a worthy adversary? How seriously did they take him? Why did they believe he was taking such a tough line against them? I thought that if any such documents existed, it would be inside the foreign ministry. But I also thought that, in all likelihood, I would find nothing interesting at all. It just struck me as being worth a try.

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- 17. I met A and B at around 9:30am in the lobby of my hotel. They always came at 9am, but on that morning I think I was a bit late joining them. We then drove to the Palestine hotel to meet Mr O'Malley. As colleagues and friends we would often meet up for a chat. On this occasion we talked for a bit and then I left the hotel and drove to the foreign ministry with B and A. Mr O'Malley stayed at the Palestine hotel and I did not mention where I was going. We arrived at the foreign ministry building shortly after 11am. B parked outside the building and waited in the vehicle while A and I went inside.
- 18. To get to the building we had to walk across a small courtyard. When we arrived at the entrance, the glass doors were standing open and there were no guards in sight. I saw and heard looters inside the building, moving about, hammering away at the walls and carrying iron bars. No one else was there. Two of the looters walked out of the building as we entered. I was afraid that they might try to rob us. I refer to a sketch plan of the foreign ministry that I have prepared for the purposes of these proceedings some time later marked "DJB 2".

19. I looked around the ground floor. All the furniture had been carried away and many of the windows had been smashed. Fire had blackened the main foyer and pieces of paper were scattered across the floor, including torn posters of Saddam Hussein. I refer to prints of the photographs that Mr O'Malley took showing the outside of the foreign ministry building on Tuesday 22 April, which are exhibited to his witness statement marked "HOM 3" and "HOM 5". I confirm that these photographs depict the general state of the outside of the building when I first visited it on 19 April 2003. There seemed to be nothing of interest. After about 10 minutes looking around the ground floor, most of which was taken up by a large open space leading off from the foyer, I found a staircase and A followed as I climbed to the first floor.

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20. On the first floor, again, I looked around. The first room I went into was quite large and overlooked the entrance to the building that we had come through. Sunlight entered through the windows but, again, all furniture had been removed and there were torn pieces of paper scattered across the floor. I looked at some of these, but they were all in Arabic. I asked A, who had followed me in to the room, to pick up some and tell me what they were. He picked up 2 or 3 pieces of paper, but none was remotely interesting. If I recall rightly, one was a fragment of a notice about how long officials could take for lunch.

21. I walked along a corridor towards the building's foyer. Here the walls had been blackened by fire. At the time, I thought the fire had been caused by a missile strike during the war. I remembered a report I had read on the BBC News website on 22 March saying that the foreign ministry was burning after a night in which 1,000 cruise missiles had been fired at Baghdad. I later learned that this report was mistaken and that the fires were localised and probably caused by looters immediately after the war.

22. I walked down a blackened corridor and came to the ruins of what I assumed had once been the ministry's main archive. The room had been gutted by fire. The rows of files had been reduced to nothing more than piles of white ash on bare metal frames. I refer to prints of the photographs that Mr O'Malley took of this room on Tuesday 22 April, which are exhibited to his witness statement marked "HOM 7". I confirm that these photographs depict the general state of this room when I first visited it on 19 April 2003.

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23. I turned my back on the main archive and walked away from it along the corridor. The first door on the left led to a room that had apparently escaped the fire. It contained a desk and perhaps a couple of chairs, but nothing else. There were no doors on the right hand side of the corridor. I walked a little further. The next door on the left was scorched and blackened and slightly ajar. It also had a hole in it that looked as though someone had kicked out the lock. I pushed the door open further and walked through it.
24. I then found myself inside a small dark room that appeared to have escaped the fire. The room was filled with orange filing-boxes. These all looked very similar to one another. Many lay in a heap on the floor, about 2 or 3 feet deep. Others were on tiers of metal shelves, which lined 3 sides of the room. I think that there were 4 tiers of shelves on each wall. I refer to prints of the photographs that Mr O'Malley took of this room on Tuesday 22 April, which are exhibited to his witness statement marked "HOM 8". I confirm that these photographs depict the general state of this room when I first visited it on 19 April.
25. The hole in the door, and more particularly, the general state of the room suggested to me that looters had entered it. I thought that the looters must have pulled many of the filing-boxes down from the shelves and thrown them onto the floor. I guessed that they might have been searching for safes hidden in the walls behind.
26. I could see immediately that some of the filing-boxes on the floor were open and that they contained pale blue folders, stamped with the Iraqi Eagle. The boxes and the folders that I could see all looked similar. Some loose documents were also scattered about the room, having come loose from their folders. Ash and soot, perhaps blown under the door of the room during the fire in the main archive, covered many of the boxes. A had entered the room behind me and I asked him what he thought the room was. He replied that he thought it looked like an archive of some sort. There was, however, no sign on the door through which we had entered so we could not establish for certain the status of the room.
27. I noticed that every filing-box carried a small label in Arabic and I asked A what the labels said. He looked at several of the boxes and told me that one said "Security Council", another said "Political Records" and another was labelled

"Algeria". Others said "France", "Yemen", "Mauritania", "United States", "Egypt", "Tunisia", "Syria" and "Jordan".

28. It became clear to me that most of these boxes were labelled by country. The thought again occurred to me that we might be able to find something about Tony Blair, so I asked A to look for any box carrying the label "Britain". We both stood on the pile of boxes and loose folders on the floor. I remember that our weight pressed down on them and we stood in a sort of well. A looked on the shelves and on the floor. He did most of the searching but I helped by picking up boxes, showing them to him and asking in each case "what does this label say?" I remember for example that I picked up one box and when I asked him what the label said he answered "Turkey", so I put that file to one side and continued to look.

29. We looked on the shelves and also got down on our hands and knees on the floor, digging among the piles of boxes and loose folders. Some documents had come loose and I picked one up and showed it to A. He said that they carried the word "Confidential". I showed him 2 other documents and he told me that they were signed by Tariq Aziz and Naji Sabri. Then he picked up one filing-box labelled "Britain". I understand that A thinks that he found this on a shelf. My own recollection is that he found it on the floor but A may well be right. While A continued to search for others, I looked inside the box. It contained 3 or 4 of the pale blue folders. I flicked through 1 or 2 of them and saw a mass of Arabic documents and a letter from Sir Edward Heath. I also came across a letter from Mr Galloway nominating a Mr Zureikat as his representative in Baghdad. These stood out only because they were in English but I didn't think much of them at the time. I put the folders back in the box, put it on one side and went back to looking for another box.

30. Shortly afterwards I found a second box labelled "Britain" on the shelves and then A found a box marked "Britain and France" on another shelf. I think that both filing-boxes were on either the middle or upper tiers of the shelves as I do not recall bending down to pick them up, nor do I recall A bending down to do so. I then heard looters walking down the corridor outside and hammering in one of the nearby rooms. I was concerned that they might try to rob us and I was carrying several thousand dollars in cash in a small shoulder bag. I was anxious not to stay in the

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building for any longer than was necessary and decided that we should leave.

A picked up both the filing-boxes labelled "Britain". I took the box labelled "Britain and France". On my way out of the room I also picked up 3 loose pale blue folders that were lying on a small desk by the door and a black lever arch ring binder. I did not look at what label they carried.

31. By this time we had been in the building for about an hour. As we left we did not encounter anyone. We went straight back to the car and put the boxes and loose folders in the boot. I then asked B to drive us back to my hotel. When we got there I took the boxes and loose folders up to my room. I put them on the floor in my room, locked my room and then B, A and I drove to a restaurant for lunch.

32. We returned to my hotel shortly before 3pm. B stayed with the car and A and I went straight up to my room and I told him that we needed to sit down and work through the documents one folder at a time. I recall thinking that this was going to be a very long and boring task. We opened one of the filing-boxes labelled "Britain" and took out the first folder. This was not, as it turned out, the folder containing Mr Galloway's letter about Mr Zureikat. This letter had receded to the back of my mind to the extent that I did not think of examining the folder containing it first. My mind was still focussed on the possibility of finding something about Tony Blair.

33. I asked A to read the first page for me, then the second and third. It soon became clear that the documents were letters or memos. So I specifically requested that he tell me who each document was from, to whom it was addressed and what the subject matter of it was. We went through the folder in this systematic fashion. It was a slow process and we came across nothing interesting. All that we seemed to have was routine correspondence that crossed the desk of an Iraqi foreign minister. For example there were memos concerning a proposal by the Anglican Church to send an aeroplane with medical supplies to Iraq - the so-called "Flying Hospital" - including a letter on this subject in English from Canon Andrew White of Coventry Cathedral. When we were about three quarters of the way through the folder, having found nothing of interest, I told A to go home for the day. This was at about 5:30pm which was customarily the sort of time that A stopped work for the day.

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Sunday 20 April 2003

34. The following morning, Sunday 20 April, I met A and B in the lobby of my hotel at around 9am as usual. The documents were at the back of my mind but I wanted to do some other stories. Mr O'Malley had previously suggested that we visit the Abu Ghraib prison. We drove to the Palestine hotel, where we picked up Mr O'Malley and then drove to Abu Ghraib, which is 22 miles west of Baghdad: in practical terms about one hour's drive away at that time. We had planned to do a story about Iraq's largest prison lying empty and abandoned. When we got there people were busy looting the prison. We had not seen any American soldiers along the way and there appeared to be none nearby. I thought that it was unsafe to be outside Baghdad in an area with no friendly forces. So we drove back into central Baghdad, arriving at about midday.
35. I refer to a copy of my satellite phone bill covering the relevant period showing the time, date and duration of each itemised call marked "DJB 3". I should explain that the times it shows are 'Universal Co-ordinated Time' (customarily abbreviated UCT), which is 4 hours behind Baghdad time and 1 hour behind London time in April, when Britain is on British Summer Time (BST). I believe that after returning to Baghdad I went straight to my hotel to make a call to the Telegraph's foreign desk, the purpose of which was to inform the desk of my abortive visit to Abu Ghraib. I had also been thinking about investigating America's failed effort to kill Saddam Hussein by bombing a restaurant in the Mansur district. I had visited this restaurant before the war. I had been surprised to hear American spokesmen describe it as an up-market haunt of the regime's elite. I knew it was a cheap, downmarket establishment. So we went to this restaurant and found it both intact and open - we had lunch there. I then went to the place where the bombs had exploded. They had missed the restaurant and destroyed some homes behind it. I spoke to people who had been present when this happened. In the meantime, Mr O'Malley took photographs of the bombsite. We stayed for approximately 2 hours.
36. We then drove to the Palestine hotel in central Baghdad and dropped off Mr O'Malley. I would estimate that this would have been at about 3pm. I then began to think about the documents again and I remembered how, so far, we had found nothing particularly

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interesting in the Britain folders (although there was still a great deal to go through). It occurred to me that any information about secret contacts between France and Iraq might make a good story but we only had one box of folders labelled "Britain/France". I decided to go back to the foreign ministry and look for documents about France before other journalists found the room and removed them. I was interested in France primarily because of all the major western powers it was the one most likely to have had unreported, and possibly newsworthy, contacts with Saddam Hussein's regime.

37. B A and I therefore drove from the Palestine hotel to the foreign ministry. I went inside the building, which was still unguarded, with A while B again stayed in his car. This time, I went straight to the room where I had found the documents on the previous day, Saturday 19 April. It appeared to be in a state similar to that in which I first found it. I asked A to look for any boxes labelled "France". We found 1 box very quickly and left. I think we only stayed in the building for about 10 minutes. Once again, we were apprehensive about the possible presence of looters, although I don't recall seeing or hearing any on this occasion.
38. We went straight back to the Al-Hamra hotel, arriving there I would estimate at about 3:45pm. I told A and B to wait in the lobby while I went to my room and typed and filed the story about the failed attempt to kill Saddam in the restaurant. I took the box containing the French folders with me and placed it on the floor with the other boxes and folders which I had retrieved the previous day, Saturday 19 April. I had left these on the floor, but my room had been locked during the day while I had been out.
39. I filed my story on the restaurant bombing at about 5pm Baghdad time (2 pm London time; 1.00pm UCT time). In order to file a story with the Telegraph I have to plug my satellite phone into my (laptop computer. The story is then routed through a satellite to the Telegraph's foreign desk in London. (I should add that my reference to the time of the filing, whilst according with my general recollection, has subsequently been verified by my referring to the telephone records at "DJB3". I have followed the same procedure when seeking to verify other times of filings and phone calls which I made to London and which are referred to later in this statement). My report of the bombing appeared on page 11 of the following day's issue (2 April 2003) of *The Daily Telegraph*

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headed "Smart bombs aimed at Saddam killed families". I immediately went back down to the hotel lobby and asked A to come up to my room to continue translating our way through the documents. We resumed at exactly the place we had left off the day before (i.e. about three quarters of the way through the first pale blue folder) and used the same system. I did not find any documents of interest.

40. I would estimate that A and I commenced work on the second folder at about 6:30pm. Once again we worked systemically from the front of the folder. A read out every page in turn, telling me who the document was from, to whom it was addressed, and what it concerned. I tore out pages of a notebook and inserted them into the folder as markers of any document that looked like it might be worth a closer look.
41. We soon came across a letter from Tariq Aziz to 4 cabinet ministers, supposedly circulating Mr Galloway's 'work programme' for 2000. This letter intrigued me because it was signed by one of the most powerful figures in Saddam Hussein's regime. It was apparently circulated at a very high level and referred to Mr Galloway. I wondered what the phrase 'work programme' might mean. At this point I began to think that the documents might have material for a story about Mr Galloway's links with Saddam Hussein's regime, although I was still not sure.
42. I decided that I should alert the foreign desk to what I had found but as it happens Mr Harris rang me, probably to discuss the story I had filed earlier. I think that this would have been at around 7pm Baghdad time (4pm London time). I told Mr Harris that I had found a letter from Tariq Aziz referring to Mr Galloway and supposedly circulating his 'work programme', although I had not found a copy of the 'work programme' itself. We also spoke about the letter from Mr Galloway introducing Mr Zureikat as his representative in Iraq that I had found the previous day. I said that I hoped to do a story based on these documents, but at this stage I did not feel that I had enough material. I told him that I wanted to carry on reading through the documents to see what more we had.
43. Mr Harris agreed with me that we should not do anything until I had gone through more of the documents. He said that he was going to discuss my plans with Neil Darbyshire, the executive editor who was acting as Editor that Sunday, and call me back. Mr Harris called me back within a very short space of time, probably within 10 minutes or so. He



told me that Mr Darbyshire agreed we should not attempt any story until I had looked through more material. He said I should make translating the documents my priority and that, if necessary, I should get a second translator to help speed things up and ensure accuracy. I was not to worry about the additional cost of this.

44. Given the significance of Tariq Aziz's 'work programme' letter, and the possibility that I might do a story based on it, I asked A to produce a written translation. He proceeded to do so by hand. I refer to a copy of A's handwritten translation of this letter which he produced at the time and which may be found at pages 1-3 of the exhibit to his witness statement marked "A1". When he had completed this, we continued as before with him reading out every page to me in turn. Sometimes he turned over the pages and at other times I did. About one hour later, at around 8pm, we came to a memorandum dated 3 January 2000. I was turning over the pages in the folder and saw the letterhead on the first page of what turned out to be a 5-page memorandum with 2 appendices. Part of the letterhead was printed in English: "Iraqi Intelligence Service". I asked A to read this memorandum out first, skipping another single-page document that was at that point stapled to its front. At some stage, the single-page document was accidentally torn off close to the staple. I do not believe that this happened during our inspection and assume that it did during later transportation from Baghdad to London. I should add that, at the time when A and I were looking at the documents, the letter from Mr. Galloway appointing Mr. Zureikat was also stapled to the back of the intelligence chief's memorandum that I have described above.

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45. When A translated the subject as "Mariam Campaign" I realised that the memorandum related to Mr Galloway. I asked A to read it out in English with special care. He then read out aloud the entire memorandum and also its 2 short appendices. As he did so its importance rapidly became clear. I asked him to read the document to me a second time, without missing a single word. It was from the head of Iraqi intelligence to Saddam Hussein's secretariat and it was obvious to me that it had the makings of a major story about Mr Galloway's links with Saddam Hussein's regime. This I would estimate was at about 8:30pm Baghdad time (5:30pm London time) and I had the option of calling the foreign desk immediately and proposing a story.

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46. I did not do so. My prime concern was to ensure that we had a written translation that was as accurate as possible. A was reliable and his English was very good, but I wanted to be absolutely sure that in reading through the memorandum and its appendices he had not misinterpreted a single word. I decided not to tell the foreign desk about this document, despite its obvious importance, until I had a translation I was satisfied with. I also wanted time to think about the document and, given its contents, consider whether it could possibly be a forgery.
47. By this time it was dark outside and, as Baghdad was not safe at night, I thought that it would be unfair to keep A out. I told him to go home and to come back the next morning. I also decided to engage a second translator the following day, so before he left I told A that the next morning we would need to find the "best translator in Baghdad" to help him go through that memorandum once again and produce the best possible written translation.
48. I then sat down and thought long and hard about what I had found. I considered the possibility of the intelligence chief's memorandum being a forgery. I wondered whether there were other examples of the same type of notepaper. I looked through that folder and several others and I found some other examples with similar crests. I asked myself whether there were other examples of the same signature. I looked through the other folders and found some other examples. I noticed that all the blue folders were bound with white cord tied in a distinctive single-bowed knot. I was familiar with the appearance of official Iraqi documents, having seen these on my various visits to the information ministry. The document looked genuine to me.
49. I considered the circumstances in which I had found the folder containing the memorandum and these struck me as the strongest factor of all pointing towards its authenticity. I thought that it would have been an extraordinarily elaborate exercise to forge this intelligence memorandum running to several pages, not to mention Tariq Aziz's letter and Mr Galloway's signed letter appointing Mr Zureikat to act for him. Someone would have had to get hold of the right type of paper and forge a signature that matched those that appeared on other documents in that folder. They would have had to take that forged document into the foreign ministry, find this particular folder in

this particular filing-box (I would estimate that there would have been over 200 filing-boxes in total in the room).

50. Then they would have had to take the folder apart and insert the document into the middle of it – in correct chronological sequence with the other documents, re-bind the folder (using an identical single-bowed knot) and then place it back in the filing-box in the room. There was a hand-written index at the start of the folder where the documents I refer to above were located listing all the documents in it. What I did not know at the time but discovered subsequently was that the document initially stapled at the front of the intelligence chief's memorandum was referred to on this index, so any forger would have had to forge this too.

51. Then of course such a person would have had to hope that someone might chance upon this document from the thousands of pages in the many hundreds of folders within the hundreds of filing-boxes in the room – even if they happened upon the room at all – and that it would find its way to a journalist. It simply did not seem plausible that someone would go to such lengths to discredit Mr Galloway, nor that this wholly precarious method would be deployed even if someone were minded to try. Unable to think of any other plausible reason why someone would go about such an exercise I came to the view that the intelligence memo must be genuine.

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52. At around 11pm Baghdad time (8pm London time; 7 pm UCT time) I filed a short story about the capture of Saddam Hussein's son-in-law by American forces. This followed a request from the foreign desk conveyed in a phone call. The story appeared on page 12 of the 21 April 2003 issue of *The Daily Telegraph*, headed "Nine of clubs son-in-law surrenders in Baghdad". I did not mention my discovery of the intelligence chief's memorandum during this very brief conversation.

#### Monday 21 April 2003

53. The following morning, Monday 21 April, I met A and B as usual in the lobby of my hotel at about 9am. A recommended one of his university lecturers as someone who could help him produce a written translation of the memorandum. We drove to the Palestine hotel (where A thought that he was working as a translator for US forces) and to his home but we were unable to locate

him. We then returned to the Palestine hotel where I bumped into a French journalist who I knew slightly. She was leaving Baghdad that day and told me that her translator, a **D**, was available.

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54. **D** was a medical doctor and, although not a specialist translator, her English was excellent. She said she had translated medical journals, which suggested to me that her translation skills must be excellent. I had met several Iraqi doctors on my previous visits to the country and I was aware that part of their medical course was actually taught in English. It was not uncommon for doctors to be working as translators at this time as no hospitals were functioning properly and, in any event, translating paid better. Journalists knew that doctors often made very able translators. I asked **D** to come to the Al-Hamra hotel to help translate an important document relating to a British politician and she agreed.

55. **D**, **A**, **B** and I arrived back at my hotel at about midday. I asked **D** and **A** how they would like to work on the translation and they agreed that they should work together. I asked them to go through it line by line and write it out. **D** then went to her home to collect an Arabic-English dictionary. My driver, **B**, took her from the Al-Hamra to her home and back again. They were away for about 45 minutes.

56. While **D** was away, at close to 12:30pm Baghdad time (9:30am London time; 8:30 UCT time) I called Mr Harris on the Telegraph foreign desk. Having considered carefully the possibility of forgery and with the prospect of a final written translation on the way I now felt more comfortable telling him about this document, but I nonetheless remained cautious in what I said. I told him that a few hours after we had spoken the previous evening (Sunday 20 April), I had found another document relating to Mr Galloway. I gave him an account of the contents of the intelligence chief's memorandum, based on what **A** had told me the previous evening.

57. I recall that Mr Harris asked me whether there was any possibility that the document could be forged. I said that this seemed inconceivable for all the reasons I had been considering. Mr Harris agreed with me. I told him that 2 translators were about to start work on a complete, word for word translation. I said that the moment they were finished, I would send it to the foreign desk. He asked me to provide at once a short

written summary of the central facts set out in the document. I began typing out this summary straight after finishing this conversation.

58. D then returned and the 2 translators began working immediately on the intelligence chief's memorandum. Meanwhile I completed my summary of central facts ( A clarifying one or two points for me as I did so) and transmitted the text to the Telegraph foreign desk at around 1pm Baghdad time (10am London time; 9.00am UCT time). Once again, as the final translation was not ready, I was very cautious and only sent the foreign desk what I felt I knew for sure. I refer to a printout from my laptop computer of this summary marked "DJB 4".
59. I then left the translators alone in my room at the Al-Hamra and went out to sit on the balcony that was attached to my room. I was only about 5ft away from where they were sitting and I could see them at all times as the balcony was separated from the room area by a set of sliding glass doors.
60. I called Mr Harris at around 1:15pm Baghdad time (10:15am London time; 9:15 UCT time) to ensure that he had received my summary of the central facts and that it served his purpose. He told me that it was fine. I reiterated that the translators were at work and I would send the final translation the moment it was complete. I told him this would not be for several hours. I knew that once A and D had finished their translation I might only have a couple of hours in which to write the stories I was hoping to send to the Telegraph, so I decided to put my feet up and read a book.
61. Shortly before 5pm Baghdad time (2pm London time), A told me that they were almost finished and I moved from the balcony into the room. A was writing out the last page of the translation of the intelligence chief's memorandum by hand as he and D agreed on the English translation of the text. I saw that he was tired and I thought it would speed things up if I did the writing while they read out the translation to me. This happened for the last few paragraphs of the document. I refer to A's handwritten translation of the memorandum ending with my handwritten contribution, which may be found at pages 4-13 of the exhibit to his witness statement marked "A1". We did not work on the 2 short appendices at this point, but when the translation of the main part of the intelligence chief's memorandum was complete I asked D, whose spoken English was slightly better, to read it out in full to me.

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She did so. She and A polished and improved the translation as they went along while I typed it out on my laptop computer. They asked for my advice on the best way of expressing some terms in English. I refer to a printout from my laptop computer of this typed translation of the intelligence chief's memorandum marked "DJB 5".

62. When we had finished, I showed D the handwritten translation of Tariq Aziz's 'work programme' letter that A had completed the previous evening (Sunday 20 April). Again I refer to A's handwritten translation of the letter, which may be found at pages 1-3 of the exhibit to his witness statement marked "A1".

D looked over this and confirmed that it was an accurate translation. I do not recall her suggesting any changes. She then read it out to me while I typed it out on my laptop computer. As the letter was very short this whole process took about 10 minutes. I refer to a printout from my laptop computer of this typed translation of the Tariq Aziz letter marked "DJB 6".

63. Later in the afternoon, Mr O'Malley arrived at my hotel and told me he had been asked to come and take photographs of the documents. I had been expecting him, as Mr Harris had told me that they had asked him to come to my hotel. Mr O'Malley and I took the folder containing Tariq Aziz's 'work programme' letter, the intelligence chief's memorandum and Mr Galloway's letter appointing Mr Zureikat out onto my balcony. We laid the folder on the floor of the balcony and Mr O'Malley took photographs of the crucial documents. Neither Mr O'Malley nor I tampered with the binding of this folder or any of the other folders in any way. A and D did not do so either. Mr O'Malley also took some other photographs, including one of the boxes and one of me seated with the folder containing the Fawaz Zureikat appointment letter open in front of me. I refer to the photographs that Mr O'Malley took on this occasion, which are exhibited to his witness statement marked "HOM 2".

64. I sent the translations of the intelligence chief's memorandum and Tariq Aziz's 'work programme' letter to the foreign desk electronically. This was before 6pm Baghdad time (3pm London time; 2 pm UCT time). At that point D asked me if she could go home. I paid her and she left. I then called the foreign desk to ensure they had received the translations, which they had.

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65. Mr Harris called me back about 10 minutes later and we discussed what stories I should write. The decision as to whether or not these would be published was not one for me – my job was merely to submit copy – but it was clear it was being considered carefully in the office. I recall that Mr Harris asked again how we could be sure that the documents were genuine and we talked through the reasons I had given earlier. He agreed that these meant the documents must be genuine. He handed me over to Mr Darbyshire, the executive editor, who was again acting as Editor of *The Daily Telegraph* that day. Mr Darbyshire asked me to explain how I had found the documents and how we could be sure they were genuine. I responded with all the earlier reasons. He seemed satisfied with this.
66. When I had completed my telephone conversations I asked A who had been resting after completing his work and, I believe, having something to eat, to write out translations of the 2 appendices attached to the intelligence chief's memorandum about the Mariam Campaign. He had given me verbal translations of these the previous evening. Both were relatively short and essentially no more than a series of bullet points. I was therefore content for him to work on these alone and without D's assistance. I refer to A's handwritten translations, which may be found at pages 14 - 15 and 16 - 17 respectively of the exhibit to his witness statement marked "A1"
67. When A finished translating the appendices I had started working on the 4 stories I had discussed writing with Mr Harris. There was no need to send the translations of the appendices to the foreign desk and I filed the following stories:
- the principal news story based on the main part of the intelligence chief's memorandum, at around 8:10pm Baghdad time (5:10pm London time; 4:10 UCT time). A sub-edited version of this article was published in the 22 April 2003 issue of *The Daily Telegraph* headed "Galloway was in Saddam's pay, say secret Iraqi documents". I refer to a printout from my laptop computer of my unedited version of this article marked "DJB 7".
  - my account of how I found the documents, at around 9:30pm Baghdad time (6:30pm London time; 5:30 UCT time). A sub-edited version of this account was published in the 22 April 2003 issue of *The Daily Telegraph* headed "How I found

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the papers in looted ministry". I refer to a printout from my laptop computer of my unedited version of this account marked "DJB 8".

my piece about Mr Zureikat (based only on the first of the appendices), just after 10:30pm Baghdad time (7:30pm London time; 6:30 UCT time). A sub-edited version of this piece was published in the 22 April 2003 issue of *The Daily Telegraph* headed "The go-between: Loyal Ba'athist supplied Saddam with weapons". I refer to a printout from my laptop computer of my unedited version of this piece marked "DJB 9".

- my story about the letters from other prominent Britons, just after 11:15pm Baghdad time (8:15pm London time; 7:15 UCT time). A sub-edited version of this story was published in the 22 April 2003 issue of *The Daily Telegraph* headed "The letters they might wish to forget". I refer to a printout from my laptop computer of my unedited version of this story marked "DJB 10".

68. I asked A to stay overnight at my hotel as I anticipated that the Telegraph might contact me with further questions about the documents and I thought that I might need his help. He went home at about 7pm Baghdad time to tell his family that he would be away for the night and returned to the hotel about 1½ hours later.

69. I had several more conversations with Mr Harris between 6:30pm and 11:30pm Baghdad time (3:30pm and 8:30pm London time). Soon after A returned Mr Harris telephoned me and asked me to check the translation of the word "obtained" (in the context of the apparent receipt of funds derived from oil through the oil-for-food programme). A did so with the help of the dictionary that D had left behind. He picked up the hotel's internal phone and checked his translation of that word a third time with the hotel receptionist, who also spoke good English. I then reported to the foreign desk that I was satisfied with the original translation.

70. Having filed the last of my 4 articles at just after 11:15pm Baghdad time (8:15pm London time), I had a final conversation with Mr Harris at about 11:30pm Baghdad time (8:30pm London time). By now it was clear that the decision had been taken to publish my stories in the following day's paper. Mr Harris said that when the first editions of the following day's *Daily Telegraph* landed on the news desks of other



newspapers at around 11pm (London time) that night (21 April), other journalists would be sent to the Iraqi foreign ministry. So he asked me to go back there early the following morning to see if I could find additional documents that might be of interest to the Telegraph before they were removed.

71. I should also mention what I now believe to be an inaccuracy in the published version of my story headed "How I found the papers in looted ministry". In the first paragraph I describe the room in which the filing-boxes were stored as "the office of Iraq's foreign minister" and later as "adjoining the foreign minister's office". Both of these were speculation that I had expressed to Mr Harris and Mr Darbyshire on the telephone but were not included in the copy I filed. On reflection I now believe both were incorrect.

Tuesday 22 April 2003

72. At about 9am the following day, Tuesday 22 April, A and I went back to the foreign ministry in accordance with Mr Harris's request. We found it guarded by about 7 armed men who were members of the Free Iraqi Forces, a militia attached to the Iraqi National Congress. They refused to allow us entry to the building so we left and went back to my hotel. We returned to the foreign ministry at around noon with TV crews from the BBC and SKY News. On this later visit the television journalists persuaded the FIF guards to allow us to enter the building. The TV crews and Mr O'Malley (who had met us outside the foreign ministry at about midday at my request) took photographs and shot footage of the route that A and I had taken on our visit the previous day. We did not attempt to remove any documents during this visit. My only purpose was to show the camera crews those parts of the building that I had visited with A on the 2 previous occasions I have described.

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73. The BBC people I was meeting at the foreign ministry had specifically asked to see the crucial documents. So before setting out, I had taken the pale blue folder containing Tariq Aziz's 'work programme' letter and the intelligence chief's memorandum and locked it in the boot of B's car. We had then driven to the foreign ministry in that car. I had left the folder locked in the car boot when I went into the ministry with the journalists to show them where I had found it. The visit took about half an hour, during which B stayed in the car. I then returned and we drove with the BBC correspondent to a quiet street nearby. There I took the folder from the boot and

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showed her the relevant documents. I then drove back to the Al-Hamra hotel and took the folder with me to my room. I had shown the BBC correspondent the document in this way because I had not wanted to carry such a distinctive folder openly at the foreign ministry since it was now under Iraqi guard. I was afraid that if the guards saw the folder, they would confiscate it.

74. A and I returned to the hotel from the foreign ministry. At this point I asked A : to give me an oral translation of the covering memorandum to the intelligence chief's memorandum. At this point it remained stapled to the top right-hand corner of the intelligence chief's memorandum – precisely how I saw it on my first inspection. This document appeared to be a response from Saddam Hussein's office to the intelligence chief's memorandum. It stated that Saddam Hussein had rejected Mr Galloway's request for more funds and was signed by General Dr Abid Hamid al-Khattab.
75. After A had given me an oral translation of the memorandum from al-Khattab, I telephoned Mr Harris. This would have been shortly before morning conference time. I gave Mr Harris a brief report of the contents of the memorandum as it had just been translated for me.
76. I also had a brief conversation with the Telegraph's diplomatic editor Anton La Guardia. He told me that he had been asked to contact Burhan Chalabi who was the subject of the second of the 2 appendices to the intelligence chief's memorandum. I agreed to send him my typed translation of the appendix that A had handwritten the previous evening. Once again A read it out to me while I typed it onto my laptop computer. I sent it electronically to the foreign desk shortly after 3:15pm Baghdad time (12:15pm London time; 11:15 pm UCT time). I refer to a printout from my laptop computer of this typed translation of the second appendix referring to Mr Chalabi marked "DJB 11".
77. Later in the afternoon, A wrote out for me his translation of the memorandum from al-Khattab and then read it aloud to me in English as I typed it onto my laptop computer. I refer to A handwritten translation of this memorandum, which may be found at pages 18 - 19 of the exhibit to his witness statement marked "A1". I refer to a printout from my laptop computer of the typed translation of al-Khattab's

memorandum marked "DJB 12". I should say that this document was short and my impression was that [redacted] had not differed with him on any point of significance. I was therefore entirely confident of his ability to produce an accurate translation. Immediately after he completed his translation, I called Mr Harris and conveyed the gist of this memorandum. He asked me to write a news story based on it.

78. At about 6pm Mr O'Malley came to my hotel room and took photographs of the al-Khattab memorandum and also of correspondence between Canon Andrew White and the Iraqi health ministry, a letter written by Lord Waverley and the letter written by Sir Edward Heath. I refer to prints of the photographs that were taken on this occasion and which are exhibited to Mr O'Malley's witness statement marked "HOM 9". I sent the typed translation of the al-Khattab memorandum to the foreign desk electronically at soon after 8:00pm Baghdad time (5:00pm London time; 4:00pm UCT time). I then wrote an article about the al-Khattab memorandum, a sub-edited version of which was published in the 23 April 2003 issue of *The Daily Telegraph* headed "Memo from Saddam: We can't afford to pay Galloway more". I filed my al-Khattab article shortly before 8.30 pm Baghdad time (5.30 pm London time; 4.30pm UCT time). I refer to a printout from my laptop computer of my unedited version of this article marked "DJB 13".
79. Also at about 9:15pm Baghdad time (6:15 London time; 5:15 UCT time), I filed my account of the searches for documents being conducted by journalists in Baghdad. A sub-edited version of this article was published in the 23 April 2003 issue of *The Daily Telegraph* headed "Press and looters vie for Saddam's secrets". I refer to a printout from my laptop computer of my unedited version of this article marked "DJB 14".

Wednesday 23 April 2003

80. On Wednesday 23 April I left the folder containing the crucial documents about Mr Galloway in the custody of my friend, Philip Reeves of *The Independent*, for 1 or 2 hours in the evening, as I was concerned that someone might try to steal them from me. Mr Reeves, who was staying close by in the same hotel as me I, later told me that he hid them in the fridge in his room. Apart from this period, and the short time the documents spent locked in the car boot outside the foreign ministry, this folder remained with me from the moment I found the intelligence chief's memorandum on

Sunday night, 20 April. I carried it around with me. The other folders remained locked in my hotel room.

81. In the morning, I asked A to translate the other documents relating to the intelligence chief's memorandum. I had discovered these documents that morning. He translated a letter to Saddam Hussein's office from Izzat Ibrahim, deputy chairman of the Revolutionary Command Council, in which Mr Ibrahim suggested that Mr Galloway's links with the Mukhabarat should be severed. He also translated a reply from Saddam Hussein's private secretary approving this suggestion. Once again,

A wrote out these translations by hand and then read them to me as I typed them onto my laptop computer. I refer to A's handwritten translations, which may be found at pages 20-21 and 22-23 respectively of his witness statement marked "A1"

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I refer to a printout from my laptop computer of each of the 2 translations I typed marked "DJB 15" and "DJB 16" respectively. I believe that I transmitted the translations to London late afternoon on 23 April. My telephone records show that three separate data transmissions were made by me that day at respectively 5.19 pm Baghdad time (2.19 pm London time; 1.19 UCT time); 6.46 pm Baghdad time (3.46 p.m London time; 2.46 pm UCT time); and 6.48 pm Baghdad time (3.48 pm London time; 2.48 pm UCT time). The translations would have been the subject of two of these transmissions, with the story to which I refer in the next paragraph being the subject of the remaining one.

82. I also filed a story based on the translation of the Izzat Ibrahim memorandum. A sub-edited version of this story was published in the 24 April 2003 issue of *The Daily Telegraph* headed "How Saddam tried to cover up Galloway's links with regime". Alongside was printed the text of the translation of Izzat Ibrahim's memorandum. At some stage during the afternoon, I do not recall the precise time, Mr O'Malley came to my hotel to photograph the Izzat Ibrahim memorandum and the reply from Saddam Hussein's office. I had called him during the course of the morning to ask him to drop by later when he had time, as I knew I would be looking through further documents and the foreign desk would want photographs of any that proved interesting. I refer to the printouts of the photographs taken by Mr O'Malley of the Izzat Ibrahim memorandum and the reply from Saddam Hussein's office, each with the caption that I dictated to Mr O'Malley and each of which is exhibited to his witness statement marked "HOM 10".

83. During the course of the day, I agreed with Mr Harris that I would return to London with all the documents relating to Britain the following day. I would travel overland to Kuwait City and fly to London from there. We believed that this was the safest route out of the country. In preparation for my journey, I separated the 5 pale blue folders relating to Britain out of the various boxes. I also set aside 1 of the orange filing-boxes: the one labelled "Britain-France". I then packed 2 of the folders in one bag, 3 folders in another and the filing-box in a separate bag. I left all the remaining folders and 2 filing-boxes with my colleague Alex Spillius who was staying at the Palestine Hotel. I delivered them to him there at about 10:30pm Baghdad time on Wednesday 23 April 2003.

Thursday 24 April & Friday 25 April 2003

84. At about 6am Baghdad time on Thursday 24 April a driver, who I had hired on B's recommendation, picked me up from my hotel and took me to the Palestine hotel to meet Mr O'Malley. From there the 3 of us drove to Nasiriyah in southern Iraq to meet Jack Fairweather. Mr Fairweather is a freelance reporter who occasionally works for the Telegraph. During the car journey from Baghdad to Nasiriyah the five pale blue folders and the filing-box were stored in my luggage in the boot of the car.
85. We met Mr Fairweather on a highway just outside Nasiriyah. I transferred into his car while Mr O'Malley returned to Baghdad. Again I put my luggage containing the folders in the boot of Mr Fairweather's car. From Nasiriyah Mr Fairweather and I drove across the border into Kuwait. Mr Fairweather and I stayed at the Marriott hotel in Kuwait overnight and then took the 11:20am flight to London the next day. The folders and the box remained packed in my luggage, which was stored in the hold of the aeroplane.
86. We arrived in London at 5:30pm and I took the documents directly to the Telegraph's offices in Canary Wharf. There they were taken directly into the custody of the Telegraph's legal department to be placed in one of the Telegraph's safes. I understand that the distinctive white cord which held together certain of the folders was subsequently cut so as to enable an expert to conduct a forensic examination of them.

87. I understand and believe that Mr Fairweather and Abbie Trayler-Smith, a Telegraph photographer, subsequently attempted to take back to London the folders I left in Baghdad with Mr Spillius; that some of them were seized by Kuwaiti customs officials; that Mr Fairweather and Ms Trayler-Smith were, however, permitted to leave Kuwait with the remainder, which they then took back to London; and that in due course the remainder of the folders were placed with the other folders that had, on my earlier return to London, been placed in the Telegraph's safe.

**Statement of Truth**

I believe that the facts stated in this witness statement are true.

Signed.....*David Blair*.....

Print Name: *David Joseph Blair*

Dated: 15 June 2004

# George Galloway MP

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*E-Mail : [George.Galloway@btinternet.com](mailto:George.Galloway@btinternet.com)*

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## To Whom It May Concern

HFG0403 1621

This is to certify that **Mr. Fawaz A. Zureikat** is my representative in Baghdad on all matters concerning my work with the "**Mariam Appeal**" or the Emergency Committee in Iraq . Given the infrequency of my visits to the Country and the regularity of Mr. Zureikat's ; it would be appreciated if all co-operation could be extended to him in his dealings on my behalf

Save for any written permissions from me, no other person should be entertained as acting on my behalf in any circumstances .

Thanking you for your co-operation .

Yours Sincerely



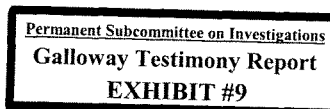
George Galloway

Chairman Mariam Appeal

Organizer Emergency Committee on Iraq

**Appendix No "1"**Information Card of the Jordanian Fawaz Abdallah Zureiqat

- ❖ Born in 1949 – Jordan.
- ❖ BA in engineering from al-Basrah University – he worked at the Iraqi Ministry of Oil – Oil Discoveries Company in the seventies and in different areas of the country.
- ❖ From a Ba'athist family, his brother is also one of the Ba'athists who are still detained in the Syrian jails, and he sympathizes with the country to a great extent.
- ❖ Currently runs Middle East for Semi Conductors Company whose main office is in Amman, but has a branch in Baghdad and Cairo.
- ❖ Contributed to providing advanced military and civilian machines and equipment on behalf of several government departments.
- ❖ Was the main coordinator of Mariam's Campaign in Iraq and Jordan where he became a key member of the mobilization committee for the support of Iraq, after the committee used him as its cover since he is an independent personality who has good connections.
- ❖ Coordinated with his cousin "Abdallah Ghanem Zureiqat", Deputy of Al-Karak city at the Jordanian Cabinet, with regard to arrange meeting appointments for "Galloway" with the Jordanian People's Council, and some Jordanian officials, as well.
- ❖ Bore some of the campaign expenses in Jordan, which totaled about four thousand Jordanian dinars.





## ملحق رقم «أ»

## بطاقة معلومات الأردني فواز عبد الله زريقات

- \* مواليد ١٩٤٩ - الأردن .
- \* بكالوريوس هندسة من جامعة البصرة - عمل في وزارة النفط العراقية - شركة الاستكشافات النفطية في السبعينات وفي مناطق مختلفة من التطر.
- \* من عائلة بعثية ، وشقيقه من البعثيين الذين مايزالون معتقلين في السجون السورية ، ومن المتعاطفين مع القطر بشكل كبير
- \* يدير حالياً شركة الشرق الأوسط لأشباه الموصلات مقرها الرئيسي في عمان ولديها فرع في بغداد والقاهرة .
- \* ساهم في تأمين أجهزة ومعدات عسكرية ومدنية متطورة لصالح عدد من دوائر الدولة .
- \* كان المنسق الرئيسي لحملة ميري في العراق والأردن حيث أصبح عضواً رئيسياً في لجنة التعبئة لدعم العراق بعد أن اتخذت اللجنة واجهة لها كونه شخصية مستقلة وله علاقات جيدة .
- \* قام بالتنسيق مع أمين عمه عبد الله غانم زريقات ، فائز مدينية الكرك في مجلس النواب الأردني بشأن ترتيب مواعيد لـ «كالوي» للقاء في مجلس الأمة الأردني وكذلك مع بعض المسؤولين الأردنيين .
- \* تحمل بعض نفقات الحملة في الأردن والتي بلغت حوالي أربعة آلاف دينار أردني .

**Appendix No “2”**

Information Card of Dr. Burhan Mahmoud Al-Chalabi, the British Citizen of Iraqi Origin

- ❖ A businessman who lived in Britain for over thirty years.
- ❖ Belongs to the British Conservative Party.
- ❖ Has properties and estates in Britain.
- ❖ Member of the board of directors of “Al-Qarn al-Muqbil” “Next Century Foundation” foundation that includes a number of presidents of the board of directors for some prominent British companies, and takes care of providing political and economic consultations for investment purpose.
- ❖ Has good relationship with Dr. Muzafar Al-Amin, president of the Interest Section of Iraq in London since they are from the same city of Mosul.

## ملحق رقم «٢»

8570403 (٢٠٠١)

بطاقة معلومات العراقي الأصل البريطاني الحسنية  
د. برهان محمود الجليبي

- \* رجل أعمال مقبر في بريطانيا منذ أكثر من ثلاثين عاماً.
- \* منتمي إلى حزب المحافظين البريطاني.
- \* لديه أملاك وعقارات في بريطانيا.
- \* عضو مجلس إدارة مؤسسة «القرن المقبل».
- \* «Next Century Foundation» التي تضم في عضويتها عدد من رؤساء مجالس إدارات بعض الشركات البريطانية المهمة، ويغتنم بشؤون تقدير الاستشارات السياسية والاقتصادية لأغراض الاستثمار.
- \* علاقته جيدة برئيس قسم رعاية مصالح العراق في لندن الدكتور «مظفر الأمين» لأنهما من مدينة واحدة وهي الموصل.

In the Name of God, Most Gracious, Most Merciful

Republic of Iraq  
The Presidency of the Republic  
The Secretary

**Secret and Personal**

<p align="center"><b>Stamp</b></p> <p>Ministry of Foreign Affairs Office of the Minister of Foreign Affairs No.: 2298 Date: 05/03/2000</p>
--

1/9 London

No.: 19/4/99/2394/K  
Date: 28 Muharram, 1421 H  
Equivalent to May 02, 2000

To: Comrade the Respected 'Izzat Ibrahim  
Comrade the Respected Taha Yassin Ramadan  
Comrade the Respected Tariq 'Aziz  
Comrade the Respected 'Ali Hassan Al-Majid

RE: Mariam Campaign

The President Leader (may God protect him) has given his orders regarding the content of the Intelligence Apparatus letter no. 5 dated to 01/03/2000 as follows:

((To be studied by the four-member committee and the minister of Foreign Affairs. However, the principle that he who takes the initiative to reveal the truth, even the Western method, requires exceptional supports that will burden us, and I don't believe we are able to fulfill this if adopted in our policy)).

Please take the necessary measures and inform us.

Regards  
[Signature]  
Lieutenant General  
Dr. 'Abd Hamid Al-Khattab  
Secretary of the President of the Republic  
05/02/2000

Enclosures: Copy of a letter

(2) The office: necessary action was taken; to be filed  
05/06/2000

cc:

- H.E. the Minister of Foreign Affairs / we hereby send you a copy of our aforesaid letter for the same purpose with regards.

(1) I reviewed it. [Signature] 05/03

<p align="center"><u>Permanent Subcommittee on Investigations</u></p> <p align="center"><b>Galloway Testimony Report</b></p> <p align="center"><b>EXHIBIT #11</b></p>
---

بسم الله الرحمن الرحيم

الجمهورية العربية السورية  
وزارة الخارجية

التكثيف

سري وشخصي

العدد / ٤٩٩٩ / ٩٩ / ٤١٩ / ٤  
التاريخ / ٢١ / ٤٨ / ٢٠٠٠ م  
م / ٢٠٠٠ / ٤

الرفيق عزة ابراهيم المحترم  
الرفيق طه ياسين رمضان المحترم  
الرفيق طارق عزيز المحترم  
الرفيق علي حسن المجيد المحترم  
م / قاتلة مريم

أمر السيد الرئيس القائد ( حفظه الله ) بصدد ما جاء بكتاب جهاز  
المخابرات ذي العدد / ٥ / في ٢٠٠٠ / ١ / ٣ ما يأتي :  
( يدرس من قبل اللجنة الرباعية ووزير الخارجية ، الا أن مبدأ أن من يقوم بمبادرة في  
إظهار الحق حتى ولو على الطريقة الغربية يقتضي دعماً استثنائياً سيوفه  
كاملنا ولا نعتقد بأننا قادرون على أن نوفي بذلك إذا ما أعتدناه في سياستنا )  
للتفضل باتخاذ ما يقتضي .. وأعلامنا ..  
مع التقدير .

المرافقات /  
صورة كتاب

الرفيق  
د. عبد حميد الخطاب  
سكرتير رئيس الجمهورية  
٢٠٠٠ / ٥ / ٢

المستند  
٢٠٠٠ / ٥ / ٢

نسخة منه الى /

السيد وزير الخارجية المحترم / نرسل اليكم صورة الكتاب آنفاً .. للفرض نفسه  
مع التقدير .

٥١٢

In the Name of Allah the Compassionate and Merciful  
Republic of Iraq  
Revolutionary Command Council  
Deputy Chairman

Letter No. 30/100  
Confidential and Personal

To: The Respected Mr. President's Secretariat  
Subject: The Mariam Campaign  
Your confidential and personal letter no. 19/4/99/2394/Q

[May 6, 2000]

The four man committee has discussed the contents of the intelligence service letter attached to your letter above with the attendance of Mr. Foreign Minister and we recommend the following:

1. Continuing the cooperation with George Galloway about the oil contracts and other commercial contracts according to the rules as they stand now for competing with the standards and conditions of the commercial contracts that he submits.

2. It is better not to engage the Mukhabarat in the relationship with George Galloway, as he has been a well known politician since 1990, and discovery of his relationship with the Mukhabarat would damage him very much.

(1-2)

Secret and Personal

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #12**

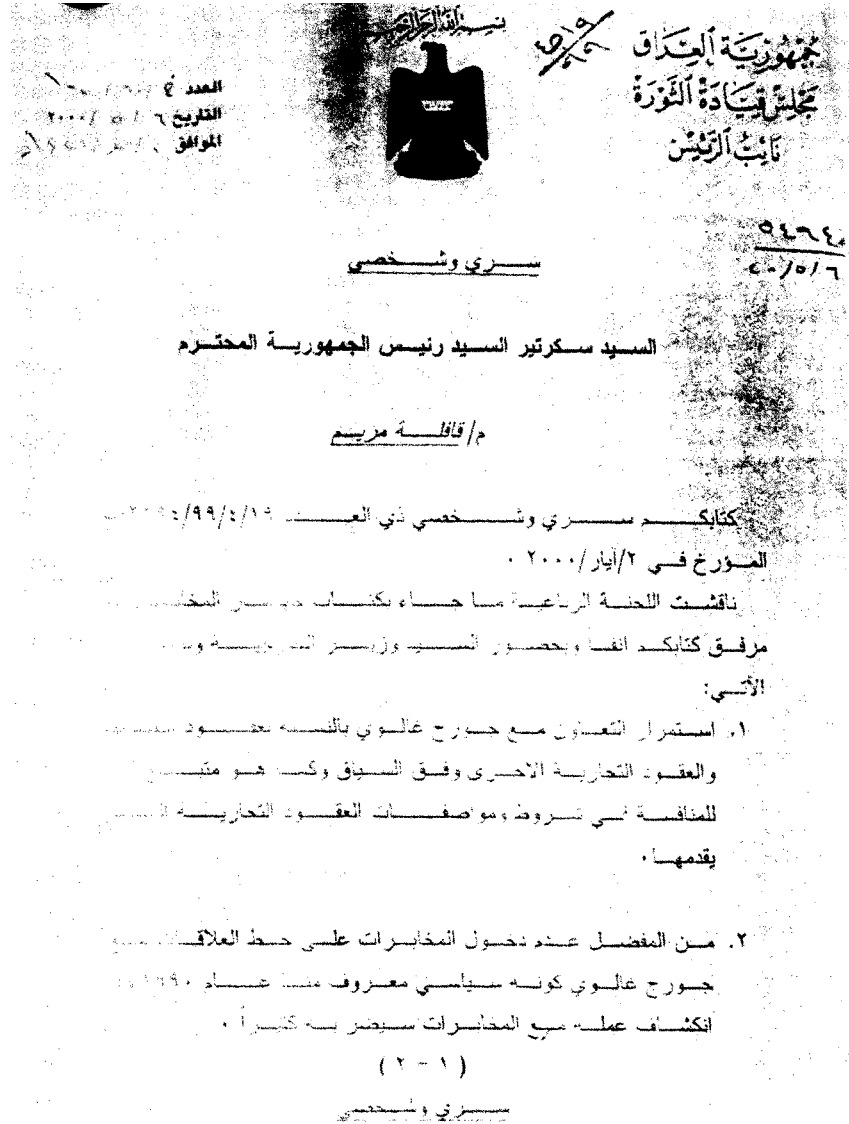
3. The Ministry of Foreign Affairs must coordinate with Comrade Tariq Aziz in selecting and looking after the people and organizations which ask for financial support in future in return for initiatives to support the Iraqi position.

To be read please.

Regards,

[Signature]

Izzat Ibrahim  
Deputy Chairman  
Revolutionary Command Council  
Confidential and Personal







٣. قيام وزارة الخارجية بالتنسيق مع الفريق طارق عزيز بفرز  
 وتمحيص الأشخاص والمنظمات التي تطلب الدعم المادي  
 مستقبلاً لقاء قيامها بمبادرات لدعم موقف العراق .  
 للتفضل بالاطلاع ٠٠٠ مع التقدير .

عزرة ابراهيم

نائب رئيس مجلس قيادة الثورة

( ٢ - ٢ )

سري وشخصي

**Statement of Allocations in the Phase Subsequent to Phase Six  
(Special Requests)**

[Hand-written note in Arabic that reads]

The meeting that took place the morning of 12/14/1999; it has been agreed on what has been endorsed below.

12/14

12/13/1999

\* \* \*

Country	Allocations in Phase Five	Allocations in Phase Six	Allocations for the Phase Subsequent to Phase Six	Remarks
<b>58- Romania</b> A- Regular requests B- Special requests  - Communist Party			1.2	New request
<b>59- Hungary</b> A- Regular requests B- Special requests  - Hungaronafta Company - Hungary Interest Party			1.2	New request (10) millions New request
<b>60- Philippine</b> A- Regular requests B- Special requests  - Price Gases, Inc.				New request
<b>61- Norway</b> A- Regular requests B- Special requests				New regular request
<b>62- Angola</b> A- Regular requests B- Special requests  - Sonangol				New request
<b>63- Britain</b> A- Regular requests B- Special requests  - Burhan Al-Chalabi - Mujahidi Khalq Organization - Tradax Company		0.5% - 0.5%   2 million barrels	4.5  3.0 1.5 4.5 million barrels	New request  New request (10) millions
<b>64- Japan</b> A- Regular requests B- Special requests  - Mr. Kimoro Mitsu				New request / Secretariat of the Country

(11)

**Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #13**

كشف التخصيصات للمرحلة ما بعد السادسة  
(الطلبات الخاصة)

الدولة	المرحلة الخامسة	المرحلة السادسة	التخصيص المستخرج لمقاعد المرحلة السادسة	الملاحظات
<b>الدول دائمة العضوية</b>				
<b>١- روسيا</b>	٢٨٠٢٪	٢٤٠٦٪	٨٦٥ ٢٢٠٣٪	
أ- الطلبات الاعتيادية	٢٥٠٢	٢٢٣٠٦	٢٢٠٦	
ب- الطلبات الخاصة	٢١٣	٢١١	٢١٢٧	
- الحزب الشيوعي	١٦	١٦	١٠٥	
- الحزب الليبرالي	١٠	-	٦٥	
- حزب الوحدة والسلام	٣	٣	٢٠	
- وزارة الخارجية	١٦	١٢	٨٠	
- السفيري بئداد	٢	٢	١٥	(٢٢) مليون
- سفرائك/ مؤسسة	-	-	١٥	برميل
- أكاديمية العلوم السياسية	-	-	١٥	طلب جديد
- أونو ماموس للمعادن	-	-	١٥	طلب جديد
- جامعة (فوبكن) للنفط والفار	-	-	-	طلب جديد (١٩) مليون
- الروسية	-	-	-	طلب جديد (٨) مليون
- الصندوق الاتليمي لتطوير الاقتصاد الروسي	-	-	-	
<b>٢- الصين</b>	٩٠١٪	٩٠٣٪	٢٣٠ ٨٠٨٪	
أ- الطلبات الاعتيادية	٢٧٤	٢٧٧	٢٦٧	
ب- الطلبات الخاصة	٢١٧	٢١٦	٢٢١	
- السيد خوان	٦ مليون برميل	٦ مليون برميل	٥٥ مليون	طلب جديد (٦٩) مليون
- شركة نورثكو	-	-	٥١	طلب جديد (٥) مليون
<b>٣- فرنسا</b>	١٥٪	١٣٠٣٪	٢٢٠٣ ١٢٠٨٪	
أ- الطلبات الاعتيادية	١٠٠٢	٢٧٢	٢٦٩	
ب- الطلبات الخاصة	٢٤٨	٢٦١	٢٥٩	
- ميشيل غريمار	١٨	١٨	١٢	
- باتريك موجان	٧	٧	٢٥	
- بوبالنه	٥	٥	٣٠	
- جمعية الصداقة	١٨	١٨	١٢	١٥٠٣ مليون
- شركة انييس	١٨	-	١٢	برميل
- شارل بيسكو	-	-	٤٠	
- حميدة نعت	-	-	١٢	
- الياس الفردي	-	-	١٢	
- شركة تيفير	-	-	-	
- شركة (أي.أو.تي.سي)	-	-	-	
- شركة (بروفيتيه انريث ليمتد)	-	-	-	
- شركة (كازور اوبيل اند كاز)	-	-	-	
- شركة (سي.ايف.اس. باديس)	-	-	-	
- شركة (سام فيث)	-	-	-	
- شركة كليتيكو	-	-	-	

(١١)

الدولة	التخصيص للمرحلة الخامسة	التخصيص للمرحلة السادسة	التخصيص المقترح لمابعد المرحلة السادسة	الملاحظات
<b>٥٨- رومانيا</b> ١ - الطلبات الاعتيادية ب - الطلبات الخاصة - الحزب الشيوعي			٧٤	طلب جديد
<b>٥٩- هنغاريا</b> ١ - الطلبات الاعتيادية ب - الطلبات الخاصة X - شركة ميفارونفتا - حزب مصلحة هنغاريا			٧٤	طلب جديد (١٠ مليون) طلب جديد
<b>٦٠- الفلبين</b> ١ - الطلبات الاعتيادية ب - الطلبات الخاصة X - برايس كاز انك				طلب جديد
<b>٦١- النرويج</b> X - الطلبات الاعتيادية ب - الطلبات الخاصة				طلب اعتيادي جديد
<b>٦٢- انغولا</b> ١ - الطلبات الاعتيادية ب - الطلبات الخاصة X - سونانكول				طلب جديد
<b>٦٢- بريطانيا</b> ١ - الطلبات الاعتيادية ب - الطلبات الخاصة - برمان الجلي - منظمة مجاهدي خلق X - شركة شيداكس		٥٠٪ ٣٠٠ مليون برميل	٤٥٪ ٣٠٠ مليون برميل ١٥٠ مليون برميل	طلب جديد طلب جديد (١٠ مليون)
<b>٦٤- اليابان</b> ١ - الطلبات الاعتيادية ب - الطلبات الخاصة X - السيد كيمورو متسو				طلب جديد/ امانة سرالقطر

275

29-DEC-99 WED 15:31

SOMC, BAGHDAD

FAX NO. 0096412853925

P. 2

**STATE OIL MARKETING ORGANIZATION  
CRUDE OIL SALES CONTRACT**

**NO. M/07/ 83**

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #14**

276

29-DEC-99 WED 15:31

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 3

## **SECTION ONE**

### **SPECIFIC PROVISIONS**

### **F.O.B. CRUDE OIL SALES CONTRACT**

29-DEC-99 WED 15:32

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 4

FOR SALES CONTRACT  
CONTENTS

Section One

Article One	:	Definitions
Article Two	:	Period
Article Three	:	Quantity and Quality
Article Four	:	Price
Article Five	:	Reopener
Article Six	:	Payment
Article Seven	:	SOMO Standard Documentation
Article Eight	:	Approval of Contract
Article Nine	:	Special Conditions
Article Ten	:	Addressees

Section Two

Article One	:	Measurement and Sampling
Article Two	:	Risk and Property
Article Three	:	Lifting Programme
Article Four	:	Nomination of Vessels
Article Five	:	Vessel Berths
Article Six	:	Loading Conditions
Article Seven	:	Demurrage
Article Eight	:	Taxes and Duties
Article Nine	:	Termination in the event of Liquidation or Default
Article Ten	:	Assignment
Article Eleven	:	Destination
Article Twelve	:	Force Majeure
Article Thirteen	:	Arbitration
Article Fourteen	:	Notices
Article Fifteen	:	Applicable Law

Appendix I

Appendix II

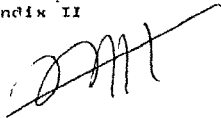
:

Form of Letter of Credit

:

Application Form to Request

Approval of Contract.




29-DEC-99 WED 15:33

SOMC, BAGHDAD

FAX NO. 0096412853925

P. 5

Contract between State Oil Marketing Organization  
(hereinafter called SELLER) of the one part and FORTUM OIL AND GAS  
OY (hereinafter called BUYER) of the other part.

Whereby it is agreed as follows:-

SECTION ONE

Wherever the General Provisions of Section Two, attached  
and herein incorporated in this Contract, are at variance or  
in conflict with this Section One, the provisions of Section  
One shall govern.

ARTICLE ONE

DEFINITIONS

As used in this Contract, unless otherwise provided, the  
following words and terms shall have the following meanings:-

Barrel : means forty-two (42) U.S. Gallons at sixty degrees  
(60°) Fahrenheit and at normal atmospheric pressure.

Day : means a period of twenty-four (24) running hours  
commencing at 00.01 hours local time at the port  
of loading.

Barrel per Day (B/d): means the average number of barrels of crude oil  
supplied during a calendar day as defined above.

F.O.B: means "Free on Board" as referred to in the ICC  
Incoterms 1990.

Dollar (\$): The currency of the United States of America.



29-DEC-99 WED 15:34

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 6

Month: : means Gregorian Calendar Month commencing at 00.01 hours local time at the port of loading on first day of the month.

Quarter : means a period of three (3) consecutive months beginning on a 1st January or a 1st April or a 1st July or a 1st October.

Year : means a Gregorian Calendar Year.

API Gravity: means Scale adopted by the American Petroleum Institute for expressing the specific gravity of crude oil.

SCR 986: means Security Council resolution 986 (1995) of 14 April 1995.

SCR 1111 : means Security Council resolution 1111 (1997) of 4 June 1997.

SCR 1143 : means Security Council resolution 1143 (1997) of 4 December 1997.

SCR 1153 : means Security Council resolution 1153 (1998) of 20 February 1998.

SCR 1210 : means Security Council resolution 1210 (1998) of 24 November 1998.

SCR 1242 : means Security Council resolution 1242 (1999) of 21 May 1999.

SCR 1281 : means Security Council resolution 1281 (1999) of 10 December 1999.

661 Committee: means the Security Council Committee established by Security Council resolution 661 (1990).

Procedures : means the procedures to be employed by the 661 Committee (United Nations document S/1996/636, dated 8 August 1996).

Overseers : means the independent experts in international oil trade appointed by the Secretary-General of the United Nations pursuant to SCR 986 and the procedures.

Inspectors : means the independent oil inspection agents appointed by the Secretary-General pursuant to SCR 986.

RAG.

29-DEC-99 WED 15:35

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 7

ARTICLE TWOPERIOD:

1. Subject to Article Eight below, this Contract shall become effective on the 29th day of Dec. 1999, and shall continue thereafter until the 8th of June 2000, unless renewed by mutual agreement.
  2. The ultimate consumer of the crude oil sold under this Contract shall be Europe for Kirkuk Crude Oil and Far East for Basrah light.
- Any change in the destination is subject to the prior approval of Seller.

ARTICLE THREEQUANTITY AND QUALITY:

1. SELLER undertakes to sell and deliver FOB and BUYER undertakes to purchase, receive and pay for the following:-

<u>Type of crude</u>	<u>Quantity</u>	<u>Port of Loading</u>
KIRKUK	2 000 000/BBLS	CEYHAN
BASRAH LIGHT	1 000 000/BBLS	AL BAKR

2. The quality of the crude oil shall be the standard export quality available at the port of loading from time to time.
3. Quantities shall represent contracted quantities or number of barrels per day contracted multiplied by the number of days of the relevant period stipulated in Sub Article 2.1
4. Quantities shall be lifted as evenly as possible over the course of such delivery period in lots of approximate barrels and as will be agreed between BUYER and SELLER.
5. Quantities lifted under allowed operational vessel slippage shall be deemed as part of the contracted quantities of the period.

RAC

29-DEC-99 WED 15:35

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 8

6. In cases when SELLER, for reasons technical or otherwise that are beyond his control, is unable to meet his full contractual commitments, SELLER shall have the right to reduce the contracted quantities for the duration of the period when such circumstances shall prevail. SELLER shall advise BUYER as soon as possible before the beginning of any period during which supplies to all buyers are to be reduced.
7. In no event shall any loading start beyond the 8th of June 2000, unless the Security Council has authorized sales beyond that date.



29-DEC-99 WED 15:36

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 9


ARTICLE FOURPRICE:

1. The price(s) of the crude oil to be delivered under this contract shall be as follows:-

<u>TYPE OF CRUDE</u>	<u>API</u>	<u>PORT OF LOADING</u>
KITKUN	36.00	CEYHAN
BASRAH LIGHT	34.00	AL BAKR

Price Mechanism in \$ per Barrel FOB

Price shall be the standard SOMO price as agreed upon between SOMO and the United Nations from time to time.



29-DEC-99 WED 15:37

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 10

ARTICLE FIVEREOPENER:

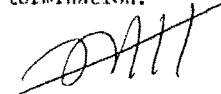
Each party shall have the right not later than the 15th day of any month to request a review of the pricing mechanism of this Contract.

If following a request for a review, the parties are unable to agree within a period of ten (10) days from the date upon which such request was made, either party may elect to terminate this Contract by serving written notice of phase-out to the other party and termination shall be effective at the end of the month following the month during which the notice of termination has been received.

But if the parties are able to agree within the above mentioned ten (10) days period, any agreed upon adjustment to the pricing mechanism shall be subject to the approval of the 661 Committee.

However, if such approval has not been granted by the 661 Committee, this Contract shall be considered as terminated as of the end of the month following the month during which the above mentioned ten (10) days period ends unless the parties agree otherwise.

In case of Contract termination under any of the above mentioned events, this Contract shall remain in full force and effect at the pricing mechanism applicable in accordance with this Contract terms and conditions up to the effective date of termination and such termination shall not affect the parties' rights and obligations therefrom, unless the parties agree otherwise during the period prior to the effective date of termination.



29-DEC-99 WED 15:38

SOMC, BAGHDAD

FAX NO. 0096412853925

P. 11

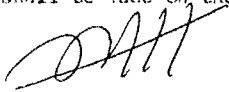
ARTICLE SIXPAYMENT:

1. BUYER shall establish in respect of each shipment lifted under this Contract an irrevocable documentary letter of credit issued by a bank acceptable to Banque Nationale de Paris, S.A. ("BNP") for confirmation, in the form set out in Appendix I hereof.

In all cases, the Letter of Credit shall be established, confirmed and accepted at least seven (7) days prior to loading date.

2. BUYER irrevocably undertakes that payment for each cargo of crude oil lifted shall be made out of the proceeds of the confirmed Letter of Credit directly to account number 0200-201752-001-08 established by the Secretary-General of the United Nations, pursuant to paragraph 7 of SCR 986, at BNP (New York Branch) (hereinafter "United Nations Iraq Account"), upon presentation to BNP of the documents required by the Letter of Credit, including but not limited to the Commercial Invoice and the Bill of Lading.
3. All charges within Iraq are for SELLER, whereas all charges outside Iraq are to be borne by BUYER.
4. Unless otherwise provided herein, payment shall be made not later than thirty (30) days from B/L date, in same date funds.

If payment falls due on a Saturday or Bank holiday other than Monday in the place where payment is to be made then payment shall be made on the last preceding banking day. If payment falls due on a Sunday or a Monday Bank holiday in the place where payment is to be made then payment shall be made on the next succeeding banking day.



29-DEC-99 WED 15:39

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 12

ARTICLE SEVENSOMO STANDARD DOCUMENTATION:

Bill of Lading	9 (3 orig. & 6 copies)
Certificate of Origin	4
Certificate of Quality and Quantity	4
Loading Time Sheet	4
Ullage Report	4
Master's Receipt for Samples	4
Distribution of Documents	4

Two sets of documents are handed to Master, one being for Consignee. SELLER shall advise BUYER by telex or cable within forty eight (48) hours following each loading with the following details:-

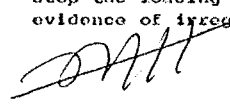

- a) Vessel's Name
- b) Loading Port
- c) Commenced Loading Date.
- d) Completed Loading Date.
- e) Sailing Date
- f) Gross and net quantities in metric tons, long tons and U.S. barrels.
- g) API Gravity.

ARTICLE EIGHTAPPROVAL OF CONTRACT

This Contract is subject to the approval of the Overseers on behalf of the 661 Committee. Such approval shall be obtained in accordance with the Procedures, utilizing the form set out in Appendix II hereof.

ARTICLE NINESPECIAL CONDITIONS

1. Loading of any shipment of crude oil shall be subject to the authorization of the Inspectors at the port of loading. The Inspectors shall also have the authority to stop the loading if they determine that there is any evidence of irregularity.

29-DEC-99 WED 15:40

SCMO, BAGHDAD

FAX NO. 0096412853925

P. 13

- 2- Notwithstanding Sub Article 4-3 of Section Two of this Contract, the accepted date of arrival of the vessel at the loading ports shall be fixed on a one (1) day range. All related Articles of Section Two of the Contract will read to that effect and conformity.
3. Notwithstanding Sub Article (6-5) of Section Two of this Contract SELLER shall be allowed as laytime at Al Bakr Terminal as follows:-

<u>Laytime (hrs)</u>	<u>Vessel DWT(MT)</u>
53	Up to 129 999
54	130 000 - 199 999
55	Over 200 000

All related Articles of Section Two of the Contract will read to that effect and conformity.

4. In addition to the events specified in Sub Article 6-6 of Section Two, any time consumed due to the Inspectors prohibiting loading shall not count as used laytime.
5. This Contract shall terminate forthwith in the event that the Security Council terminates the authorization to import petroleum or petroleum products originating in Iraq.
6. Assignment of the rights or obligations of the SELLER or BUYER shall be subject to the approval of the 661 Committee.
7. Any claims from BUYER under Sub Article 1-3 or Article Seven of Section Two, and any analyses carried out under Sub Articles 1-5 and 1-6 of Section Two, shall be copied to the Overseers. Payments or other awards under Article Thirteen of Section Two, in respect of claims under Articles One and Seven of Section Two are subject to the approval of the 661 Committee. Any sum to be paid by BUYER in settlement of a dispute under Article Thirteen of Section Two relating to the proceeds of the sale of crude oil under this Contract shall be paid by BUYER directly to the United Nations Iraq Account.

RAG.



29-DEC-99 WED 15:41

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 14

8. Payments to SELLER under Sub Article 5-5 and Sub Article 6-7 of Section Two, and any other payments or awards under Article Thirteen of Section Two, are subject to the approval of the 661 Committee.
9. This Contract shall be subject to SCR 986, SCR 1111, SCR 1143, SCR 1153, SCR 1210, SCR 1242, SCR 1281, the Procedures and the Memorandum of Understanding between the Secretariat of the United Nations and the Government of Iraq on the implementation of SCR 986 (United Nations document S/1996/356, dated 20 May 1996).

Other Terms and Conditions as per the standard SOMO General Conditions F.O.B. Crude Oil Sales Contract (Section Two).

#### ARTICLE TEN

##### ADDRESSES:

In addition to the notices, declarations and other communications required under Article Fourteen, notices, approvals, declarations and communications required above for the Overseers, on behalf of the 661 Committee, shall be effected at the addresses below:-

##### FOR SELLER:

STATE OIL MARKETING ORGANIZATION  
P.O.BOX 5118  
BAGHDAD - IRAQ

TELEX: 212198 - 212199 SOMO IK  
TELEPHONE: 964-1-2869561  
964-1-7742040 - 10 Lines  
FAX: 964-1-2853925

##### FOR BUYER:

FORTUM OIL AND GAS OY  
P.O.BOX. 100, KEILANIEMI, FIN-00048 FORTUM, FINLAND  
TEL: + 358 104 511  
FAX: + 358 104 52 4447

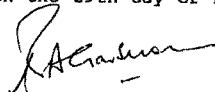
##### FOR OVERSEERS:

UNITED NATIONS, NEW YORK, U.S.A  
FAX: 212 - 963 - 1628

This Contract has been done and signed on the 29th day of Dec.1999.



FOR SELLER  
SADDAM Z. HASSAN  
EXECUTIVE DIRECTOR GENERAL



FOR BUYER  
RODNEY A. GAVSHON  
DIRECTOR

In the Name of God, Most Gracious, Most Merciful

Republic of Iraq  
Ministry of Oil  
State Oil Marketing Organization (State Oil)

No.: KH2/20331  
Date: 23 Ramadan, 1420 H  
Equivalent to 12/31/1999

Stamp  
Ministry of Oil / Office of the Minister  
No.: 15326  
Date: 12/31/1999

To: The Minister of Oil  
RE: Approval on Exported Crude Oil Contracts

With reference to the statement of allocations in phase seven that was approved on 12/17/1999, please find below the details of the contract signed with the Finnish company Fortum Oil and Gas-OY:

- 1- Number of Contract: M/07/83
- 2- Date of Contract: 12/29/1999
- 3- Name of Company Buyer: Fortum Oil and Gas-OY (Burhan Al-Chalabi)
- 4- Nationality: Finnish
- 5- Quantity: (2) million Barrels of Kirkuk  
(1) million Barrels Basrah light
- 6- Type of Crude Oil: Kirkuk and Basrah light
- 7- Destination of Crude Oil: Europe and the Far East
- 8- Pricing Formula: Europe and the Far East
- 9- Period of Supply: until 06/08/2000
- 10- Estimated Value of Contract in Dollar: about (66) million dollars (based on the rate of \$22/barrel)

For your review and approval, please.

Regards,



Saddam Zeben Hassan  
Executive Director

[Miscellaneous signatures]

For the Approval of Minister  
I approve



01/01

[Page footer]

Arabic telex 5834 SOMO  
P.O. Box 5118 Baghdad -- Iraq

Telex 212198/212199  
Tel. 7742040 - 10

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #15

الجمهورية العراقية  
وزارة النفط  
مكتب الترخيص والنفط (شركة عامة)  
بسم الله الرحمن الرحيم  
الرقم ٢٦ / ٤٠٤٤١  
التاريخ ٤٧ / رمضان / ١٤٢٠ هـ  
٢١ / ١٢ / ١٩٩٩ م  
السيد وزير النفط المعتمد

م / المصادقة على عقود النفط الخام المعدل

بالإشارة الى كشف التخصيصات للمرحلة السابعة المعدل والمقر بتاريخ ١٩٩٩/١٢/١٧ .

أثناء تفاصيل العقد الموقع مع الشركة الفنلندية FORTUM OIL AND GAS-OY :-

- ١- رقم العقد : M/07/83
- ٢- تاريخ العقد : ١٩٩٩/١٢/٢٩
- ٣- اسم الشركة المشتري : FORTUM OIL AND GAS-OY (برهان الحلبي)
- ٤- الجنسية : فنلندية
- ٥- الكمية : (٢) مليون برميل كركوك  
(١) مليون برميل بصرة خفيف.
- ٦- نوع النفط الخام : كركوك + بصرة خفيف.
- ٧- وجهة النفط الخام : أوروبا والشرق الاقصى
- ٨- التعمية : تعبيرة أوروبا والشرق الاقصى
- ٩- فترة التجهيز : لغاية ٢٠٠٠/٦/٨
- ١٠- القيمة التقديرية : حوالي (٦٦) مليون دولار (على اساس ٢٢ دولار للبرميل الواحد) .

للتفطا، بالاطلام والمصادقة مع التقدير ...

صدام حسين  
المدير التنفيذي

مصادقة السيد الوزير  
صوابه

**Statement of Allocations for the Phase Subsequent to Phase Seven  
(Million Barrels)**

06/01/2000

No.	Country	Allocations in Phase Six		Allocations in Phase Seven		Allocations for the Phase Subsequent to Phase Seven		Remarks
54	Britain	2	0.5%	10	2.8%			
	A- Regular requests	-		-				
	*B- Special requests		0.5%		2.8%			
	*Mr. Burhan Al-Chalabi + (Galloway + Fawaz Zureikat)			4				It has been increased by (1) million recently
55	Finland							
	A- Regular requests	-		-				
	*B- Special requests	-		-				
	*Fortum	-		-				New request (the company carrying the quantity of Mr. Burhan Al-Chalabi in phase seven)
56	Germany							
	A- Regular requests	-		-				
	*B- Special requests	-		-				
	*Veba Company	-		-				New request
57	America	3.6	0.9%	3.6	1%			
	A- Regular requests							
	*B- Special requests		0.9%		1%			
	*Oscar Wyatt	3.6		2.4				
	*Samir Vincent			1.2				
	*P.T. Repcojaya							New request (30) millions
	*Midland Oil Texas							New request (40) millions
	Total	389	100%	355	100%	400	100%	
	A- Regular requests	260	67%	254	72%			
	*B- Special requests	129	33%	101	28%			

- Marketing flexibility in changing regular requests
- 50% flexibility in the Northern border trading requirements and 100% for the Southern ones.
- The attempt of Russian companies (regular and special) to deal directly with the owners of refineries in order to avoid the danger of Iraqi oil being controlled by limited brokers (the meeting of both ministers in Moscow in April of 1999)

كشفت التخصيصات للمرحلة ما بعد السابعة

٢٠٠٠/٦/١

(مليون برميل)

ت	الدولة	التخصيص للمرحلة المناسبة	التخصيص للمرحلة السابعة	التخصيص للفترة ما بعد السابعة	الملاحظات
الدول دائمة العضوية					
١	روسيا	١٣٥	١١٥	٢٤٠	
	د. الطلبات الاحتياطية	٢٠	٢٠	٢٨٣	
	- زرينفيلد	٢١			وزارة الطاقة الروسية
	- مشينو بورت	١٠	١٠		وزارة الشؤون الخارجية الروسية
	- زان غار	٨	٦		وزارة الدفاع الروسية
	- فلغا بكو	١٣	١١		شركة وإمبابة لوزارة الخارجية الروسية
	- تومسك	٤	٣		= = = = =
	- شركة يورال	-	-		ديوان الرئاسة الروسية
	- كوكش	١٦	١٤		الحزب الشيوعي
	- تات نيف	٩	٨		القيم كازاخستان
	- يانف نيف	-	٤		القيم بيلاروسيا
	- سلاف نيف	٢	-		شركة حكومية (السيد كوستريك)
	- غار بوم	٦	٥		شركة حكومية للغاز
	- كوك بيل	٧	٤		عقد عرب القارة
	- سوغوت نيف غار	-	٣		شركة مستقلة
	- نيف وفيل للشرق ساهورا	-	١		شركة مستقلة
	- رول نيف	٥	٣		شركة مستقلة
	- نيف بومسكو	٥	٢		شركة مستقلة
	- أولكو	٤	٣		القيم أورنيك (السيد جيراميد)
	- سيدكو	٣	-		السيد جيراميد سايلا
	- نيف نيف	٣	٢		شركة نيف الناف المكنسي
		-	-		
	* ب. الطلبات الخاصة	٤٣	٤١		
	* شركة رومس	٤	١		الشقق الروسية السابق
	* السيد (جيراميد سايلا)	١٠	٦		
	* السيد سايلا ليمالوك	٣	٢		
	* السيد سايلا	-	١		
	* كاديمية العلوم السيلسية	-	١		
	* جامعة غريمن للنفط والفيزياء	-	١		
	* مؤسسة علوم روسيا ليمالوك	-	-		طلب جديد (١) مليون
	* السيد سايلا ليمالوك	-	-		طلب جديد (٣٠) مليون
	* رول نيف غار سايلا	-	-		طلب جديد (١) مليون
	* مجموعة نورد ويست	-	-		طلب جديد (١) مليون (السيد كوكش)

ت	الدولة	التخصيص للمرحلة المناسبة	التخصيص للمرحلة المناسبة	التخصيص للفترة ما بعد السابعة	الملاحظات
١٠٠	البحرين	٢	١٠٠	٢,٨%	
	أ. الطلقات الاعترافية	-	-	-	
	ب. الطلقات الخاصة	٠,٥%	٢,٨%	٢,٨%	
	* السيد برهان الجبالي + (كافوي + فوق زريوت)		١٠		تم إيقافها ب (١) مليون مؤخرًا
	* مجاهدي خاني	٢	٦		تم إيقافها ب (٣) مليون مؤخرًا
١٠٠	البحرين	-	-	-	
	أ. الطلقات الاعترافية	-	-	-	
	ب. الطلقات الخاصة	-	-	-	
	* فوران	-	-	-	طلب جديد ( الشركة النشطة لتسوية السيد برهان الجبالي للمرحلة السابعة )
١٠٠	البحرين	-	-	-	
	أ. الطلقات الاعترافية	-	-	-	
	ب. الطلقات الخاصة	-	-	-	
	* شركة ألبا	-	-	-	طلب جديد
١٠٠	البحرين	٢,٦	٣,٦	١%	
	أ. الطلقات الاعترافية	-	-	-	
	ب. الطلقات الخاصة	٠,٩%	١%	١%	
	* ابراهيم وابت	٣,٦	٢,٦	٢,٦	
	* سمير العنت		١,٢		
	* شركة بي بي زيوجيا				طلب جديد (٣٠٠) مليون
	* مكاله اويل كسكس				طلب جديد (١٠٠) مليون
	المجموع	٣٨٩	٣٥٥	١٠٠%	١٠٠%
	أ. الطلقات الاعترافية	٢٩٠	٢٥١	٧٢%	
	ب. الطلقات الخاصة	١٢٩	١٠٤	٢٨%	

- مرونة تسويقية في تغيير الطلقات الاعترافية.

- مرونة لمتطلبات التجارة الحدودية من الشمال بنسبة ٥٠% ومن الجنوب بنسبة ١٠٠%

- السعي لتعامل الشركات الروسية ( الاعترافية والخاصة ) مع اصحاب المصافي مبثثة لتجنب خطورة ان يكون النفط العراقي بايدي وسطاء محدودين ( اجتماع الوزيرين في موسكو في نيسان / ١٩٩٩ ).

20/04 2000 THU 16:33 FAX 44-0207 930 1303 NESTE (UK) LIMITED

001/001



20/4/00 AH

TELEFAX

<b>To</b> United Nations, New York Attn: Dr Alexander V. Kramer, Oil Overseer Fax No. 212 963 1628	<b>Date</b> 20 April 2000
<b>From</b> Fortum Oil and Gas OY	<b>cc:</b> SOMO, Baghdad Mr Saddam Z Hassen
<b>Subject</b> Amendment to Contract no. M/07/83 dated 29/12/1999	<b>Pages to follow</b>

Please be advised that SOMO and Fortum Oil and Gas OY have agreed to amend and increase the contractual quantity of above contract by an additional 1,000,000 bbls of Kirkuk crude oil.

The total contractual volume of the above contract will then be:  
3,000,000 bbls Kirkuk crude and  
1,000,000 bbls Basrah Light crude

Please approve the above amendment as proposed.

With kind regards

For buyer  
Rodney A. Gavshon  
Director

Neste (U.K.) Limited  
30 Charles II Street  
London, SW1Y 4AE  
Tel. +44 (0)207 930 7333  
Tlx. 297205/6 neesper g  
Fax. +44 (0)207 930 1303

**Confidentiality Notice:**

The information contained in this FAX is confidential and/or privileged. This FAX is intended to be reviewed initially by only the individual(s) named above. If the reader of this TRANSMITTAL PAGE is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this FAX or the information contained herein is prohibited. If you have received this FAX in error, please immediately notify the sender by telephone and return this FAX to the sender at the aforementioned address. Thank you.

Permanent Subcommittee on Investigations

Galloway Testimony Report

EXHIBIT #17

20-APR-00 THU 20:46

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 4

REPUBLIC OF IRAQ  
MINISTRY OF OIL  
STATE OIL MARKETING  
(S O M O)

AK

Ref : H2/6775

Date : 20 / 4 / 2000

TO: THE U.N. OVERSEERS  
FAX: 001212 963 1628 NEW YORK

FROM: SOMO - BAGHDAD TLX: 212198 / 212199 IK  
FAX NO. (9641) 285 - 3925

RE: CONTRACT NO. M.07/83 DATED 29/12/1999

YOUR REFERENCE S/AC.25/2000/OIL/1281/COMM.83 DATED 4/1/2000  
AND FURTHER OUR FAX P/20198 DATED 29/12/1999.

WE HAVE AGREED WITH CUSTOMER FORTUM OIL AND GAS - OY  
TO AMEND THE A/M CONTRACT TO INCREASE CONTRACT QUANTITY BY  
AN ADDITIONAL (1) MILLION BBL OF KIRKUK CRUDE OIL.  
CONSEQUENTLY THE TOTAL CONTRACTUAL QUANTITY WILL BE  
(3) MILLION BBLs KIRKUK CRUDE AND (1) MILLION BBLs OF  
BASPAN LIGHT.

OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

WITH BEST REGARDS.

  
SADDAM Z. HASSAN  
EXECUTIVE DIRECTOR GENERAL  
S.O.M.O

CC: FORTUM OIL AND GAS-OY  
FAX: 358 104 52 4447 FINLAND  
TLX: 124641 FORTU FI

ATTN: MR. RODNEY A. GAVSHON-DIRECTOR



UNITED NATIONS




NATIONS UNIES

**SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990)  
CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT**

S/AC.25/2000/OIL/1281/OC.57/add.1

26 April 2000

TO: FORTUM OIL & GAS OY FINLAND	FROM: THE OIL OVERSEERS  UNDER SECURITY COUNCIL RESOLUTION 986 (1995)
FAX NO.: 011-358-950-55-828	FAX NO.: (212) 963-1628
ATTENTION: Mr. R.A.C. GAVSHON	REF.: OIL-FOR-FOOD ARRANGEMENT
TOTAL NUMBER OF TRANSMITTED PAGES INCLUDING THIS PAGE: 1	

**AMENDMENT:**

**Re:** Contract Number: M/07/83 UN REF: S/AC.25/2000/OIL/1281/COMM.83  
Between: SOMO and "FORTUM OIL & GAS OY"  
Date of Receipt of amendment : 24 April 2000

PLEASE BE ADVISED THAT THE AMENDMENT TO THE ABOVE CONTRACT:

AN ADDITIONAL QUANTITY OF 1,000,000 BBLs OF KIRKUK CRUDE OIL  
CONSEQUENTLY THE TOTAL CONTRACTUAL QUANTITY WILL BE :

**KIRKUK CRUDE**  
3,000,000 BBLs

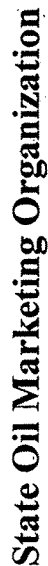
**BASRAH LIGHT**  
1,000,000 BBLs

OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

APPROVED BY SECURITY COUNCIL COMMITTEE ESTABLISHED  
BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN  
IRAQ AND KUWAIT

REMARKS:

cc:  
SOMO  
BNP  
SAYBOLT ROTTERDAM  
PERMANENT MISSION OF IRAQ TO THE UN



P.O Box 5118 Baghdad - Iraq

Sold to : FORTUMOIL AND GAS OY, PO BOX 100, KEILLANIEMI FIN  
00048 FORTUM/ FINLANDE

Exporting Port	: CEYHAN TERMINAL - TURKEY
Ship's Name	: SEASPRITE
Destination	: LAVERA
Country of origin	: IRAQ

Due date : 13.3.2000  
 Contract No. : M07/33  
 BNP Confirmation no. : V717964  
 Opening Bank L/c No. : F2ILC000  
 Shipment No. : CK/4694

Description of commodity	Quantity		U.S. Bbls	Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	Long Tons			
IRAQ CRUDE OIL (KIRKUK)	135,121.786	132,987.34	992,525	26.518	26,319,777.95
33.37 API GRAVITY AT 60° F					26,319,777.95

Total U.S. Dollars: TWENTY SIX MILLION THREE HUNDRED NINETEEN THOUSAND SEVEN HUNDRED SEVENTY SEVEN AND NINETY FIVE CENTS

Price Calculation: DATED BRENT MINUS \$1.35/BBL, AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$0.26/API DE-ESCALATION

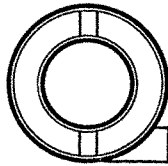
PRYPMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
ACCOUNT NUMBER 0700-201752-001-08

**B/L DATED 13/2/2000**

一、二、三、四、五

**For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.**





# State Oil Marketing Organization

P.O Box 5118 Baghdad – Iraq

Commercial Invoice No.: B/58/2000

Sold to : FORTUM OIL AND GAS OY, P.O BOX 100, KEILLANIEMI FIN 00048 FORTUM /FINLAND  
Exporting Port : MENA AL BAKR TERMINAL  
Ship's Name : APOLLO AKAMA  
Destination : FAR EAST  
Country of origin : IRAQ  
Due date : 31.3.2000  
Contract No. : M/07/83  
BNP Confirmation no. : V 718077  
Opening Bank L/c No. : F2ILC0001536  
Shipment No. : BBL/2803 PART(2)

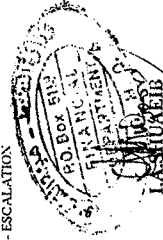
Description of commodity	Quantity		Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	Long Tons		
IRAQ CRUDE OIL (BASRAH LIGHT) 33.35 API GRAVITY AT 60° F	114,650.126	112,839.06	26.619	22,417,430.42
				22,417,430.42

Total U.S. Dollars: TWENTY TWO MILLION FOUR HUNDRED SEVENTEEN THOUSAND FOUR HUNDRED THIRTY AND FORTY TWO CENT

Price Calculation: OMAN - DUBAI (FIRST MONTH) PLUS \$ 0.35/BBL AVERAGE FOR TEN CONSECUTIVE QUOTATIONS STARTING FROM

THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$ 0.06 API DE-ESCALATION

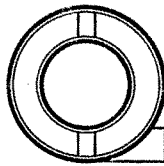
PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
ACCOUNT NUMBER 0200-201752-001-08



B/L DATED 2/3/2000

ORIGINAL

For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.



# State Oil Marketing Organization

P.O Box 5118 Baghdad – Iraq

Commercial Invoice No.: B/81/2000

Sold to : FORTUM OIL AND GAS OY, P.O BOX 100, KEILLANIEMI FIN 00048 FORTUM, FINLAND  
Exporting Port : MINA AL BAKR TERMINAL  
Ship's Name : C. PLANNER  
Destination : FAR EAST  
Country of origin : IRAQ  
Due date : 26.4.2000  
Contract No. : M/07/83  
BNP Confirmation no. : V 718514  
Opening Bank L/c No. : F2ILC0001694  
Shipment No. : BBL/2822 PART(1)

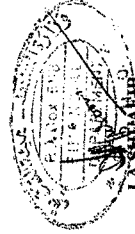
Description of commodity	Quantity		Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	Long Tons		
IRAQ CRUDE OIL (BASRAH LIGHT) 33.56API GRAVITY AT 60° F	14,278.022	14,052.48	23.48	2,465,400.00
				2,465,400.00

Total U.S. Dollars: TWO MILLION FOUR HUNDRED SIXTY FIVE THOUSAND FOUR HUNDRED ONLY.

Price Calculation: OMAN + DUBAI (FIRST MONTH) PLUS \$ 0.35/BBL AVERAGE FOR TEN CONSECUTIVE QUOTATIONS STARTING FROM

THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$ 0.04 API DE-ESCALATION

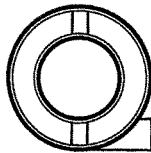
PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONALE DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
ACCOUNT NUMBER 0200-20172-001-08



B/L DATED 28/3/2000

ORIGINAL

For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.



# State Oil Marketing Organization

P.O Box 5118 Baghdad – Iraq

Commercial Invoice No.: C79/2000

Sold to : FORTUM OIL AND GAS OY, PO BOX 100, KEILANIEMI FIN

00048 FORTUM/ FINLANDE

Exporting Port : CEYHAN TERMINAL - TURKEY

Ship's Name : ECO AFRICA

Destination : ROTTERDAM

Country of origin : IRAQ

Due date : 12.5.2000

Contract No. : M/07/83

BNP Confirmation no. : V 718970

Opening Bank L/c No. : FZILC0001866

Shipment No. : CK/4734

Description of commodity	Quantity		U.S. Bbls	Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	Long Tons			
IRAQ CRUDE OIL (KIRKUK)	135,543.945	133,402.83	998,118	20.075	20,037,218.85
33.79API GRAVITY AT 60° F					20,037,218.85

Total U.S. Dollars: TWENTY MILLION THIRTY SEVEN THOUSAND TWO HUNDRED EIGHTEEN AND EIGHTY FIVE CENT

Price Calculation: DATED BRENT MINUS \$2.30/BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE  
B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$0.22/API DE-ESCALATION

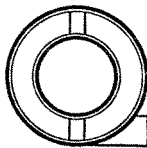
PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
ACCOUNT NUMBER 0200-201755-001-48



ORIGINAL

B/L DATED 13/4/2000

For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.



# State Oil Marketing Organization

P.O Box 5118 Baghdad - Iraq Commercial Invoice No.: C/146/2000

Sold to : FORTUM OIL AND GAS OY, P.O BOX 100, KEILLA, NIEMI FIN  
09048 FORTUM/ FINLAND  
Exporting Port : CILYIAN TERMINAL - TURKEY  
Ship's Name : DONAT  
Destination : EUROPE  
Country of origin : IRAQ  
Due date : 4.7.2000  
Contract No. : M/0763  
BNP Confirmation no. : V 720753  
Opening Bank L/c No. : F2ILC 001/2006  
Shipment No. : CN/4789

Description of commodity	Quantity		Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	Long Tons		
IRAQ CRUDE OIL (KIRKUK) 33.97 API GRAVITY AT 60° F	135,299,697	133,162,44	26,386	26,318,425.15
				26,318,425.15

Total U.S. Dollars: TWENTY SIX MILLION THREE HUNDRED EIGHTEEN THOUSAND FOUR HUNDRED TWENTY FIVE AND FORTY FIVE CENT

Price Calculation: DATED BRENT: MINUS \$2.30 BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE  
BI DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$0.00 AHD-ESCALATION

PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONALE DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
ACCOUNT NUMBER 0260-20732-001-08



Y.H. IBRAHIM  
For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.

ORIGINAL

B/L DATED 5/6/2000

\*\*\*\*\*AUTOFT MESSAGE\*\*\*\*\* \*\*\*\*\*AUTOFT MESSAGE\*\*\*\*\*

INCOMING MESSAGE  
DCN: G001854883 03 JUL.2000

RECEIVER: AMMST  
SENDER: NYIBS  
SEND.NAME: CITIBANK N.A.,  
PLACE: USA  
BASE NO: 400047  
TEST RESULT: GOOD  
(TEST)AMT: 69975  
USER CODE: FT9/5056  
REC.TIME: 03-134905  
PRIORITY: 02  
MESS.TYPE: 100  
SEND.TRN: C0001850553801  
OUTP.REF: AMR9147  
CCY: USD  
DEL.TIME: 03-125000

\* TRAILER: MESSAGE TAKEN UP FOR AUTOFT PROCESSING

AMR9147 GFR2302 LVS0599

AMMST  
NYIBSCB 030947 030949 030949  
TEST G0000703094955 G2900092 G3130669 AMT 69975  
0000 00C1T1J0AXAXX000000  
0544 03C1T1IUS33AXX000000  
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:32A:000703USD69975.00  
:50:DELTA SERVICES LTD  
:520:/LOYDCHGGXXX  
LLOYDS TSB BANK PLC  
1, PLACE BEL-AIR  
P.O. BOX 5145  
GENEVA CH-1211, SWITZERLAND  
:59:MR FAWAZ ZUREIKAT  
:70:/RFB/PAYCY04512992755  
ISN 000747 SSN 0061178 OSN 005538  
FEES DEDUCTED .25.00  
:72:/ACC/FOR YR PB 5055 AMMAN 11183 REL  
//009626/4644065 FAX 009626/464192  
//3  
/INS/C0103 BANKERS TRUST COMPANY NE  
G630E9 7CB7  
ALT RTD FM LAR

03 JUL 00 TIME 13:03:00 PAGE 001 >>>>>>>>>>

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #19

Redacted by the  
Permanent Subcommittee  
on Investigations

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STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 1

ACCOUNT CLO SED

500190

COPY AS OF 05.SEP 05 11:50:58

MR. FAW AZ ABDALLAH ZUREIKAT  
P.O.BOX 7373  
AMMAN, JORDAN

SAVING AC COUNT/FCY

DATE	DESCRIPTION	VALUE	AMOUNT
01.01.00	BALANCE BROUGHT FORWARD CREDIT	USD	***2,038.97
02.01.00	INTEREST/CHARGES	01.01.00	13.36
	BALANCE CREDIT	USD	***2,052.33
26.03.00	S/A FCY CASH WITHDRAWAL	26.03.00	1,000.00-
	BALANCE CREDIT	USD	***1,052.33
29.06.00	INTEREST	01.07.00	8.95
	BALANCE CREDIT	USD	***1,061.28
04.07.00	INTERNAL TRANSFER	3001862211 04.07.00	1.41-
	INTERNAL TRANSFER	3001862210 04.07.00	535.42-
	INCOMING TELEX TRANSFER	3001868007 04.07.00	69,975.00
	BALANCE CREDIT	USD	***70,499.45
13.07.00	C/A FCY CASH DEPOSIT	13.07.00	47,491.00
	BALANCE CREDIT	USD	***117,990.45
27.07.00	INCOMING TELEX TRANSFER	3002098160 31.07.00	740,000.00
	BALANCE CREDIT	USD	***857,990.45
30.07.00	INTERNAL DEBIT	30.07.00	27,200.00-
	BALANCE CREDIT	USD	***830,790.45
31.07.00	C/A FCY CASH WITHDRAWAL	31.07.00	2,000.00-
	INTERNAL DEBIT	31.07.00	19,000.00-

- 2 -

STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 2

Redacted By Permanent Subcommittee on  
Investigations

DATE DESCRIPTION VALUE AMOUNT

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #20

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02.08.00	BALANCE CREDIT		USD	***809,790.45
	INTERNAL TRANSFER	3002151735	02.08.00	1,107.34-
	S/A FCY CASH DEPOSIT		02.08.00	40,000.00
	BALANCE CREDIT		USD	***848,683.11
03.08.00	INTERNAL TRANSFER	3002161727	03.08.00	0.85-
	INTERNAL TRANSFER	3002161935	03.08.00	6,159.60-
	OUTGOING CUSTOMER WIRE	3002161756	03.08.00	15,698.55-
	OUTGOING CUSTOMER WIRE	3002161754	03.08.00	20,036.87-
	OUTGOING CUSTOMER WIRE	3002161758	03.08.00	40,038.03-
	OUTGOING CUSTOMER WIRE	3002161759	03.08.00	50,038.03-
	OUTGOING CUSTOMER WIRE	3002161738	03.08.00	150,038.03-
	OUTGOING CUSTOMER WIRE	3002161760	03.08.00	340,038.03-
	BALANCE CREDIT		USD	***226,635.12
06.08.00	INTERNAL TRANSFER	3002192508	06.08.00	1.41-
	INTERNAL TRANSFER	3002192507	06.08.00	587.57-
	BALANCE CREDIT		USD	***226,046.14
15.08.00	ACCOUNT DEBITED		15.08.00	3,000.00-
	INTERNAL DEBIT		15.08.00	100,000.00-
	BALANCE CREDIT		USD	***123,046.14
17.08.00	INTERNAL DEBIT		17.08.00	25,000.00-
	BALANCE CREDIT		USD	***98,046.14
23.08.00	INTERNAL TRANSFER	3002362504	23.08.00	1.41-
	INTERNAL TRANSFER	3002362503	23.08.00	2,827.82-
	BALANCE CREDIT		USD	***95,216.91
24.08.00	ACCOUNT DEBITED		24.08.00	2,059.06-
	BALANCE CREDIT		USD	***93,157.85
27.08.00	INTERNAL TRANSFER	3002406114	27.08.00	1.41-
	INTERNAL TRANSFER	3002406113	27.08.00	988.70-
	INTERNAL TRANSFER	3002401935	27.08.00	12,148.30-
	BALANCE CREDIT		USD	***80,019.44
28.08.00	INTERNAL TRANSFER	3002411935	28.08.00	2,543.78-
	BALANCE CREDIT		USD	***77,475.66
30.08.00	INTERNAL TRANSFER	3002431735	30.08.00	12,289.55-
	BALANCE CREDIT		USD	***65,186.11
04.09.00	INTERNAL TRANSFER	3002482501	04.09.00	1.41-

- 3 -

STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 3

DATE	DESCRIPTION	VALUE	AMOUNT
	INTERNAL TRANSFER	3002482500 04.09.00	1,769.77-
	BALANCE CREDIT		USD
	INTERNAL TRANSFER	3002511725 07.09.00	1.41-
07.09.00	INTERNAL TRANSFER	3002511735 07.09.00	30,000.00-
	BALANCE CREDIT		USD
10.09.00	INTERNAL TRANSFER	3002541725 10.09.00	1.41-
	INTERNAL TRANSFER	3002541735 10.09.00	4,237.29-

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	BALANCE CREDIT		USD	***29,174.82
12.09.00	INTERNAL TRANSFER	3002562502	12.09.00	1.41-
	INTERNAL TRANSFER	3002562501	12.09.00	1,412.43-
	BALANCE CREDIT		USD	***27,760.98
18.09.00	INTERNAL TRANSFER	3002621925	18.09.00	1.41-
	INTERNAL TRANSFER	3002621935	18.09.00	1,002.82-
	BALANCE CREDIT		USD	***26,756.75
25.09.00	INTERNAL TRANSFER	3002692507	25.09.00	1.41-
	INTERNAL TRANSFER	3002692506	25.09.00	353.11-
	BALANCE CREDIT		USD	***26,402.23
26.09.00	INTERNAL TRANSFER	3002702506	26.09.00	1.41-
	INTERNAL TRANSFER	3002702505	26.09.00	1,059.32-
	BALANCE CREDIT		USD	***25,341.50
28.09.00	C/A FCY CASH WITHDRAWA		28.09.00	1,500.00-
	BALANCE CREDIT		USD	***23,841.50
04.10.00	INTERNAL TRANSFER	3002782202	04.10.00	1.41-
	INTERNAL TRANSFER	3002782201	04.10.00	1,545.23-
	BALANCE CREDIT		USD	***22,294.86
15.10.00	INTERNAL TRANSFER	3002891929	15.10.00	1.41-
	INTERNAL TRANSFER	3002891935	15.10.00	271.19-
	S/A FCY CASH WITHDRAWA		15.10.00	4,000.00-
	BALANCE CREDIT		USD	***18,022.26
16.10.00	INTERNAL TRANSFER	3002901741	16.10.00	0.14-
	INTERNAL TRANSFER	3002901729	16.10.00	1.41-
	INTERNAL TRANSFER	3002901735	16.10.00	706.21-
	OUTGOING CUSTOMER WIRE	3002901740	16.10.00	1,821.13-
	BALANCE CREDIT		USD	***15,493.37
18.10.00	INTERNAL TRANSFER	3002922221	18.10.00	1.41-

- 4 -

STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 4

DATE	DESCRIPTION	VALUE	AMOUNT
	INTERNAL TRANSFER	3002922220 18.10.00	603.81-
	BALANCE CREDIT	USD	***14,888.15
22.10.00	INTERNAL TRANSFER	3002961929 22.10.00	1.41-
	INTERNAL TRANSFER	3002961935 22.10.00	3,954.80-
	BALANCE CREDIT	USD	***10,931.94
25.10.00	INTERNAL TRANSFER	3002992506 25.10.00	1.41-
	INTERNAL TRANSFER	3002992505 25.10.00	1,276.84-
	BALANCE CREDIT	USD	***9,653.69
29.10.00	INTERNAL TRANSFER	3003031929 29.10.00	1.41-
	INTERNAL TRANSFER	3003031935 29.10.00	564.97-
	BALANCE CREDIT	USD	***9,087.31
30.10.00	INTERNAL TRANSFER	3003042212 30.10.00	1.41-
	INTERNAL TRANSFER	3003042211 30.10.00	2,542.37-
	BALANCE CREDIT	USD	***6,543.53
06.11.00	INTERNAL TRANSFER	3003111929 06.11.00	1.41-

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	INTERNAL TRANSFER	3003112505 06.11.00	1.41-
	INTERNAL TRANSFER	3003112504 06.11.00	1,416.67-
	INTERNAL TRANSFER	3003111935 06.11.00	2,824.86-
	BALANCE CREDIT	USD	***2,299.18
20.11.00	INTERNAL TRANSFER	3003250238 20.11.00	1.41-
	INTERNAL TRANSFER	3003250239 20.11.00	564.97-
	BALANCE CREDIT	USD	***1,732.80
23.11.00	INCOMING TELEX TRANSFE	3003284029 29.11.00	97,221.60
	BALANCE CREDIT	USD	***98,954.40
27.11.00	INTERNAL TRANSFER	3003320238 27.11.00	1.41-
	INTERNAL TRANSFER	3003320239 27.11.00	1,129.94-
	BALANCE CREDIT	USD	***97,823.05
30.11.00	INTEREST/CHARGES	01.12.00	4.50-
	BALANCE CREDIT	USD	***97,818.55
04.12.00	INTERNAL TRANSFER	3003390257 04.12.00	0.14-
	OUTGOING CUSTOMER WIRE	3003390256 04.12.00	16,032.88-
	BALANCE CREDIT	USD	***81,785.53
06.12.00	ACCOUNT DEBITED	06.12.00	3,000.00-
	BALANCE CREDIT	USD	***78,785.53
07.12.00	INTERNAL TRANSFER	3003422103 07.12.00	1.41-

- 5 -

STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 5

DATE	DESCRIPTION	VALUE	AMOUNT
	INTERNAL TRANSFER	3003422102 07.12.00	1,416.67-
	BALANCE CREDIT	USD	***77,367.45
11.12.00	S/A FCY CASH WITHDRAWA	11.12.00	60,000.00-
	BALANCE CREDIT	USD	***17,367.45
13.12.00	INTERNAL TRANSFER	3003482108 13.12.00	1.41-
	INTERNAL TRANSFER	3003482107 13.12.00	1,412.43-
	BALANCE CREDIT	USD	***15,953.61
21.12.00	INTERNAL DEBIT	21.12.00	5,000.00-
	BALANCE CREDIT	USD	***10,953.61
24.12.00	INTEREST	01.01.01	118.56
	BALANCE CREDIT	USD	***11,072.17
04.01.01	INTERNAL TRANSFER	3010042105 04.01.01	1.41-
	INTERNAL TRANSFER	3010042104 04.01.01	1,545.23-
	BALANCE CREDIT	USD	***9,525.53
07.01.01	INTERNAL TRANSFER	3010072105 07.01.01	1.41-
	INTERNAL TRANSFER	3010072104 07.01.01	2,118.64-
	BALANCE CREDIT	USD	***7,405.48
18.01.01	INTERNAL TRANSFER	3010183116 18.01.01	1.41-
	INTERNAL TRANSFER	3010183115 18.01.01	2,000.00-
	BALANCE CREDIT	USD	***5,404.07
21.01.01	INCOMING TELEX TRANSFE	3010214357 22.01.01	100,000.00
	BALANCE CREDIT	USD	***105,404.07
22.01.01	S/A FCY CASH WITHDRAWA	22.01.01	80,000.00-

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	BALANCE CREDIT		USD	***25,404.07
23.01.01	S/A FCY CASH WITHDRAWA		23.01.01	20,000.00-
	BALANCE CREDIT		USD	***5,404.07
15.02.01	INTERNAL TRANSFER	3010460115	15.02.01	1,942.23-
	BALANCE CREDIT		USD	***3,461.84
20.02.01	INTERNAL TRANSFER	3010510112	20.02.01	443.50-
	BALANCE CREDIT		USD	***3,018.34
01.03.01	INCOMING TELEX TRANSFE	3010604069	11.03.01	50,000.00
	BALANCE CREDIT		USD	***53,018.34
11.03.01	INTERNAL TRANSFER	3010702108	11.03.01	1.41-
	INTERNAL DEBIT		11.03.01	31.21-

- 6 -

STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 6

DATE	DESCRIPTION		VALUE	AMOUNT
	CHARGES ON TLX \$40000			
	INTERNAL TRANSFER	3010702107	11.03.01	1,412.43-
	S/A FCY CASH WITHDRAWA		11.03.01	10,000.00-
	OUTGOING CUSTOMER WIRE	3010703111	11.03.01	40,038.09-
	BALANCE CREDIT		USD	***1,535.20
12.03.01	INTERNAL TRANSFER	3010713126	12.03.01	0.92-
	BALANCE CREDIT		USD	***1,534.28
04.04.01	INTERNAL TRANSFER	3010942101	04.04.01	1.41-
	INTERNAL TRANSFER	3010942100	04.04.01	1,532.87-
	BALANCE		USD	***0.00
9.04.01	INCOMING TELEX TRANSFE	3011094055	23.04.01	59,966.50
	BALANCE CREDIT		USD	***59,966.50
23.04.01	S/A FCY CASH WITHDRAWA		23.04.01	59,000.00-
	BALANCE CREDIT		USD	***966.50
30.04.01	INTEREST/CHARGES		01.05.01	4.50-
	BALANCE CREDIT		USD	***962.00
07.05.01	INTERNAL TRANSFER	3011272205	07.05.01	1.41-
	INTERNAL TRANSFER	3011272204	07.05.01	960.54-
	BALANCE CREDIT		USD	***0.05
31.05.01	INTEREST/CHARGES		01.06.01	0.05-
	BALANCE		USD	***0.00
28.06.01	INTEREST		01.07.01	10.66
	BALANCE CREDIT		USD	***10.66
05.07.01	INCOMING TELEX TRANSFE	3011864066	09.07.01	297,183.00
	BALANCE CREDIT		USD	***297,193.66
09.07.01	INTERNAL TRANSFER	3011900213	09.07.01	0.14-
	INTERNAL TRANSFER	3011902414	09.07.01	1.41-
	INTERNAL TRANSFER	3011902412	09.07.01	1,836.16-
	OUTGOING CUSTOMER WIRE	3011900211	09.07.01	30,038.09-
	BALANCE CREDIT		USD	***265,317.86
15.07.01	C/A FCY CASH WITHDRAWA		15.07.01	190,000.00-

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16.07.01	BALANCE CREDIT	USD	***75,317.86
	INTERNAL TRANSFER	3011970172 16.07.01	4,943.50-
	S/A FCY CASH WITHDRAWA	16.07.01	6,000.00-

- 7 -

STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 7

DATE	DESCRIPTION	VALUE	AMOUNT
	BALANCE CREDIT	USD	***64,374.36
17.07.01	INTERNAL TRANSFER	3011982460 17.07.01	1.41-
	INTERNAL TRANSFER	3011982459 17.07.01	6,497.18-
	BALANCE CREDIT	USD	***57,875.77
19.07.01	ACCOUNT DEBITED	19.07.01	0.28-
	REVEUNE STAMPS CHG		
	OUTGOING CUSTOMER WIRE	3012000522 19.07.01	832.96-
	ACCOUNT DEBITED	19.07.01	3,634.81-
	FT EUR REF3012000523		
	TRANSFER CHARGES	3012000523 20.07.01	21.16-
	BALANCE CREDIT	USD	***53,386.56
22.07.01	S/A FCY CASH WITHDRAWA	22.07.01	8,000.00-
	BALANCE CREDIT	USD	***45,386.56
23.07.01	INTERNAL TRANSFER	3012042403 23.07.01	1.41-
	INTERNAL TRANSFER	3012042402 23.07.01	847.46-
	BALANCE CREDIT	USD	***44,537.69
26.07.01	C/A FCY CASH WITHDRAWA	26.07.01	5,000.00-
	BALANCE CREDIT	USD	***39,537.69
30.07.01	ACCOUNT DEBITED	30.07.01	0.14-
	REVENUE STAMPS CHG		
	ACCOUNT DEBITED	30.07.01	1,337.69-
	EUR FT 3012110502		
	TRANSFER CHARGES	3012110502 31.07.01	21.16-
	BALANCE CREDIT	USD	***38,178.70
31.07.01	INTEREST/CHARGES	01.08.01	4.50-
	BALANCE CREDIT	USD	***38,174.20
02.08.01	ACCOUNT DEBITED	02.08.01	22,500.00-
	BALANCE CREDIT	USD	***15,674.20
12.08.01	S/A FCY CASH WITHDRAWA	12.08.01	5,500.00-
	BALANCE CREDIT	USD	***10,174.20
30.08.01	INTERNAL TRANSFER	3012420410 30.08.01	2,118.64-
	OUTGOING CUSTOMER WIRE	3012420520 30.08.01	4,604.51-
	BALANCE CREDIT	USD	***3,451.05
02.09.01	INTERNAL TRANSFER	3012450161 02.09.01	1.41-

- 8 -

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STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 8

DATE	DESCRIPTION	VALUE	AMOUNT
	INTERNAL TRANSFER	3012450160 02.09.01	1,323.47-
	BALANCE CREDIT	USD	***2,126.17
17.10.01	INTERNAL TRANSFER	3012902413 17.10.01	1.41-
	INTERNAL TRANSFER	3012902412 17.10.01	1,836.16-
	BALANCE CREDIT	USD	***288.60
31.10.01	INTEREST/CHARGES	01.11.01	4.50-
	BALANCE CREDIT	USD	***284.10
29.11.01	INTEREST/CHARGES	01.12.01	4.50-
	BALANCE CREDIT	USD	***279.60
31.12.01	INTEREST/CHARGES	01.01.02	4.50-
	INTEREST	01.01.02	5.93
	BALANCE CREDIT	USD	***281.03
30.01.02	INTEREST/CHARGES	01.02.02	4.50-
	BALANCE CREDIT	USD	***276.53
28.02.02	INTEREST/CHARGES	01.03.02	4.50-
	BALANCE CREDIT	USD	***272.03
31.03.02	INTEREST/CHARGES	01.04.02	4.50-
	BALANCE CREDIT	USD	***267.53
30.04.02	INTEREST/CHARGES	01.05.02	4.50-
	BALANCE CREDIT	USD	***263.03
30.05.02	INTEREST/CHARGES	01.06.02	4.50-
	BALANCE CREDIT	USD	***258.53
30.06.02	INTEREST/CHARGES	01.07.02	4.50-
	INTEREST	01.07.02	0.68
	BALANCE CREDIT	USD	***254.71
31.07.02	INTEREST/CHARGES	01.08.02	4.50-
	BALANCE CREDIT	USD	***250.21
29.08.02	INTEREST/CHARGES	01.09.02	4.50-
	BALANCE CREDIT	USD	***245.71
30.09.02	INTEREST/CHARGES	01.10.02	4.50-
	BALANCE CREDIT	USD	***241.21
31.10.02	INTEREST/CHARGES	01.11.02	4.50-
	BALANCE CREDIT	USD	***236.71
28.11.02	INTEREST/CHARGES	01.12.02	4.50-

- 9 -

STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 9

DATE	DESCRIPTION	VALUE	AMOUNT
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OFF - 000007  
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			USD	***232.21	
31.12.02	BALANCE CREDIT		01.01.03	4.50-	
	INTEREST/CHARGES		01.01.03		0.5
	INTEREST		USD	***228.21	
29.01.03	BALANCE CREDIT		01.02.03	7.00-	
	INTEREST/CHARGES		USD	***221.21	
27.02.03	BALANCE CREDIT		01.03.03	7.00-	
	INTEREST/CHARGES		USD	***214.21	
31.03.03	BALANCE CREDIT		01.04.03	7.00-	
	INTEREST/CHARGES		USD	***207.21	
30.04.03	BALANCE CREDIT		01.05.03	7.00-	
	INTEREST/CHARGES		USD	***200.21	
29.05.03	BALANCE CREDIT		01.06.03	7.00-	
	INTEREST/CHARGES		USD	***193.21	
30.06.03	BALANCE CREDIT		01.07.03	7.00-	
	INTEREST		01.07.03		0.16
	BALANCE CREDIT		USD	***186.37	
31.07.03	INTEREST/CHARGES		01.08.03	7.00-	
	BALANCE CREDIT		USD	***179.37	
31.08.03	INTEREST/CHARGES		01.09.03	7.00-	
	BALANCE CREDIT		USD	***172.37	
30.09.03	INTEREST/CHARGES		01.10.03	7.00-	
	BALANCE CREDIT		USD	***165.37	
30.10.03	INTEREST/CHARGES		01.11.03	7.00-	
	BALANCE CREDIT		USD	***158.37	
30.11.03	INTEREST/CHARGES		01.12.03	7.00-	
	BALANCE CREDIT		USD	***151.37	
31.12.03	INTEREST/CHARGES		01.01.04	7.00-	
	INTEREST		01.01.04		0.08
	BALANCE CREDIT		USD	***144.45	
29.01.04	INTEREST/CHARGES		01.02.04	7.00-	
	BALANCE CREDIT		USD	***137.45	
05.02.04	INTEREST/CHARGES		05.02.04	7.00-	
	CRS DRAFTS	3040360516	05.02.04	130.46-	

- 10 -

STATEMENT OF ACCOUNT [REDACTED]  
01.JAN 00 - 05.SEP 05 PAGE 10

DATE	DESCRIPTION	VALUE	AMOUNT
	INTEREST	05.02.04	0.01
	NEW BALANCE	USD	***0.00
	CURRENT AVAILABLE BALANCE	USD	***0.00
162 DEB	IT(S) 1,504,034	0.96	
19 CRE	DIT(S) 1,501,995	0.99	

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**Statement of Allocations for the Phase Subsequent to Phase Seven  
(Million Barrels)**

06/14/2000

No.	Country	Allocations in Phase Six		Allocations in Phase Seven		Allocations for the Phase Subsequent to Phase Seven		Remarks
44	Venezuela			2	0.6%	2	0.5%	
	A- Regular requests	-		2		2		
	- National Oil Company of Venezuela			2		2		
		-		-				
	*B- Special requests	-						
45	Slovakia					1.5	0.4%	
	A- Regular requests	-		-				
		-		-				
	*B- Special requests	-		-				
	*Slovakian Communist Party	-		-		1.5		
46	Britain	2	0.5%	10	2.8%	10	2.3%	
	A- Regular requests	-		-				
	*B- Special Requests							
	*Fawaz Zureikat			4		4		
	*Mujahidi Khalq	2		6		6		
47	America	3.6	0.9%	3.6	1%	4.3	10.9%	
	A- Regular requests							
	*B- Special requests							
	*Oscar Wyatt	3.6		2.4		2.5		
	*Samir Vincent			1.2		1.5		
	Total	389	100%	385	100%	425	100%	
	A- Regular requests	260	67%	254	72%	283	66.5%	
	*B- Special requests	129	33%	101	28%	142	33.5%	

- Marketing flexibility in changing regular requests
- 50% flexibility in the Northern border trading requirements and 100% for the Southern ones.
- The attempt of Russian companies (regular and special) to deal directly with the owners of refineries in order to avoid the danger of Iraqi oil being controlled by limited brokers (the meeting of both ministers in Moscow in April of 1999)

**Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #21**



### كشفت التخصيصات للمرحلة ما بعد السابعة

Y.O. 6714

(ملیون بر میل)

[illegible]

ت	الدولة	التخصيص للمرحلة السادسة	التخصيص للمرحلة السابعة	التخصيص للفترة مابعد السابعة	الملاحظات
٤٤	فلوريلا		١ %٠,١	١ %٠,١	
	أ. الطلبات الاعتيادية	-	٢	٢	
	- شركة النفط الوطنية الفنزويلية		٢	٢	
	ب. الطلبات الخاصة	-	-	-	
٤٥	سلوفاكيا		١,٥	١,٥	
	أ. الطلبات الاعتيادية	-	-	-	
	ب. الطلبات الخاصة	-	-	-	
	ج. الحزب الشيوعي السلوفاكي	-	-	١,٥	
٤٦	بريطانيا	٢ %٠,٥	١,١ %١,٨	١,١ %١,٨	
	أ. الطلبات الاعتيادية	-	-	-	
	ب. الطلبات الخاصة	-	-	-	
	ج. فرق زوفاك		١,٠ { ٤	١,٠ { ٤	
	د. مواعدي خلق	٢	١,٠ { ٦	١,٠ { ٦	
٤٧	المملكة المتحدة	٢,٤ %٠,١	٢,٦ %٠,١	٢,٦ %٠,١	
	أ. الطلبات الاعتيادية				
	ب. الطلبات الخاصة				
	ج. فوسفات وايت	٣,٦	٣,٦ { ٢,٥	٣,٦ { ٢,٥	
	د. سبر فليت		١,٢ { ١,٥	١,٢ { ١,٥	
	المجموع	٣٨٩	٣٥٥ %١٠٠	٤٢٥ %١٠٠	
	أ. الطلبات الاعتيادية	٢٦٥	٢٥٤ %٧١	٢٨٣ %٦٩,٥	
	ب. الطلبات الخاصة	١٢٩	١٠١ %٢٨	١٤٢ %٣٣,٥	

- مرونة تسويقية في تغيير الطلبات الاعتيادية.

- مرونة لمتطلبات التجارة الحرة من الشمال بنسبة ٥٠% ومن الجنوب بنسبة ١٠٠%

- السعي لتعامل الشركات الروسية ( الاعتيادية والخاصة ) مع اصحاب المصافي مباشرة لتجنب خطورة ان يكون النفط العراقي بايدي وسطاء محدودين ( اجتماع لوزيرين في موسكو في نيسان / ١٩٩٩ ) .

Witness Statement

I, [REDACTED], affirm that the following statements are true and accurate to the best of my knowledge:

1. From 1998 until 2001 I worked as a consultant to the Italtech Company which purchased and traded oil from Iraq under the United Nations Oil for Food Program. In particular, I was retained by Italtech to (i) identify individuals and/or entities that had been granted allocations of crude oil from the Government of Iraq, and (ii) arrange meetings concerning the sale of such oil allocations between Italtech representatives and the recipients of the oil allocations. For these services, I was paid a commission by Italtech.
2. During this 3-year period of Oil for Food Program, I was intimately involved in the negotiation and purchase of approximately eight (8) oil allocations of Iraqi crude oil. The total volume of oil purchased in connection with those deals amounted to an estimated 16,000,000 barrels. The total value of oil purchased in those transactions amounted to an estimated \$240,000,000.00.
3. In 2000, I received information that a Jordanian businessman named Fawaz Zureikat was representing an individual who had been granted an allocation of oil by the Iraqi Government. I contacted Mr. Zureikat to inquire about the allocation and whether he was interested in selling it to Italtech.
4. At that time, I knew that the individual that Mr. Zureikat represented was a British official named George Galloway. Officials of the Iraqi State Oil Marketing Organization confirmed to me that Mr. Zureikat represented Mr. Galloway in the sale of Galloway's allocations of Iraqi crude oil. In addition, I personally read SOMO documents that stated that Mr. Zureikat represented Mr. Galloway with respect to Galloway's oil allocations. Lastly, the fact that Mr. Zureikat represented Mr. Galloway with respect to oil allocations and other business in Iraq was common knowledge, understood by many oil traders with whom I had regular contact.
5. I informed Mr. Zureikat that Italtech would be interested in purchasing the allocation of oil, and proceeded to arrange a face-to-face meeting between Mr. Zureikat and Italtech Chairman, [REDACTED] Oil Trader 1.
6. The meeting with Mr. Zureikat occurred in Baghdad at the offices of Italtech. I attended and participated in that meeting with [REDACTED] Oil Trader 1. To the best of my recollection, this meeting took place during phase 8 of the Program. I recall that Italtech received its own oil allocation in approximately December 2000, at the beginning of phase 9. The meeting with Mr. Zureikat occurred a few months before that, approximately in the summer of 2000.

Signed:

Redacted by Permanent Subcommittee  
on Investigations

Dated:

17-10-2005

1

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #22

7. [Oil Trader 1] negotiated with Mr. Zureikat the rate of commission that Italtch would pay in exchange for the oil allocation. [Oil Trader 1] offered to pay a commission of 8 cents per barrel for Kirkuk and 12 cents per barrel of Basra. Initially, Mr. Zureikat agreed to this commission structure and a hand written draft of a contract was prepared between Italtch and Mr. Zureikat. Mr. Zureikat stated that he would have to get approval from his client before he could sign a formal contract. I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway.
8. The following day, Mr. Zureikat contacted me and stated that his client wanted 20 cents a barrel and that he would not accept a lower commission for Kirkuk oil. Once again, I understood that, in referring to his client, Mr. Zureikat meant Mr. Galloway.
9. Although the preliminary offer between Italtch and Mr. Zureikat had been drafted, the deal ultimately fell through and Italtch did not purchase the oil allocation from Mr. Zureikat and his client, Mr. Galloway.
10. In submitting this statement, I affirm that (i) I am making this statement voluntarily, (ii) I have never been and am not currently confined by or in the custody of any government, including the United States of America or Iraq, (iii) I was not promised anything in exchange for this testimony, and I have not received anything of value in exchange for this testimony, (iv) I have not been coerced or otherwise threatened and am not making this statement under duress, and (v) everything stated herein is true and accurate and presented to the best of my knowledge. I have requested confidential treatment of my identity – including the redaction of my name from this witness statement – because I fear that the disclosure of my identity will expose me to serious bodily harm.

Signed:

Redacted by Permanent Subcommittee on Investigations
---

Dated:

17-10-2005

315

10-JUL-00 MON 20:56

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 2

**STATE OIL MARKETING ORGANIZATION  
CRUDE OIL SALES CONTRACT**

**NO. M / 08 / 35**

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #23**

10-JUL-00 MON 21:08

SOMO, BAGHDAD

FAX NO. 0096412853925

P. 14

8. Payments to SELLER under Sub Article 5-5 and Sub Article 6-7 of Section Two, and any other payments or awards under Article Thirteen of Section Two, are subject to the approval of the 661 Committee.
9. This Contract shall be subject to SCR 986, SCR 1111, SCR 1143, SCR 1153, SCR 1210, SCR 1242, SCR 1281, SCR 1302, the Procedures and the Memorandum of Understanding between the Secretariat of the United Nations and the Government of Iraq on the implementation of SCR 986 (United Nations document S/1996/356, dated 20 May 1996).

Other Terms and Conditions as per the standard SOMO General Conditions F.O.R. Crude Oil Sales Contract (Section Two).  
as per Contract No. M/07/40 dated 19/12/1999.

ARTICLE TENADDRESSES:

In addition to the notices, declarations and other communications required under Article Fourteen, notices, approvals, declarations and communications required above for the Overseers, on behalf of the 661 Committee, shall be effected at the addresses below:-

FOR SELLER:

STATE OIL MARKETING ORGANIZATION  
P.O. BOX 5118  
BAGHDAD - IRAQ

TELEX: 212198 - 212199 SOMO IK  
TELEPHONE: 964-1-2869561  
964-1-7742040 - 10 Lines  
FAX: 964-1-2853925

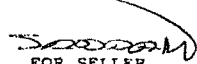
FOR BUYER:

AREDIO PETROLEUM  
5, RUE DU HELDER F-75009 PARIS  
TEL: + 33 1 48 01 61 35  
FAX: + 33 1 42 46 37 15

FOR OVERSEERS:

UNITED NATIONS, NEW YORK, U.S.A  
FAX: 212 - 963 - 1628

This Contract has been done and signed on the 10th day of July 2000.

  
FOR SELLER  
SADDAM Z. HASSAN  
EXECUTIVE DIRECTOR GENERAL

FOR BUYER  
MARTIN O. SCHENKER  
CO-MANAGER

In the Name of God, Most Gracious, Most Merciful

Republic of Iraq  
Ministry of Oil  
State Oil Marketing Organization (State Company)


No.: KH2/11895  
Date: 14 Rabi' II, 1421 H  
Equivalent to 07/15/2000

Stamp  
Ministry of Oil/Office of the Minister  
No.: 616  
Date: 01/15/2001


To: H.E. the Oil Minister  
RE: Approval on Exported Crude Oil Contracts

With reference to the comment of your Excellency dated 06/25/2000 on the statement of allocations in phase eight, please find below the details of the contract signed with Aredio Petroleum Company (Fawaz Zureikat):

- 1- Number of Contract: M/08/35
  - 2- Date of Contract: 07/10/2000
  - 3- Name of Company Buyer: Aredio Petroleum
  - 4- Nationality: French
  - 5- Quantity: (4) million barrels (3 millions of Kirkuk and (1) million barrels of Basrah light)
  - 6- Type of Crude Oil: Kirkuk and Basrah light
  - 7- Destination of Crude Oil: Europe and the East
  - 8- Pricing Formula: Europe, and the East
  - 9- Period of Supply: until 12/05/2000
  - 10- Estimated Value of Contract in dollar: about (96) million dollars (Based on the rate of \$24 per barrel)
- For your review and approval, please.

  
Saddam Zeben Hassan  
Executive Director

For the approval of the minister  
I approve

  
07/16

  
07/18

[Page footer]

P.O. Box 5118 Baghdad-Iraq

Tel. 7742040-10

Telex 212198 & 212199

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #24

بسم الله الرحمن الرحيم

الرقم: ١١٨٩٥ / ٢٤  
التاريخ: ١٤٢١ / ١٢ / ١٥  
الموافق: ٢٠٠٠ / ٧ / ١٥ م

وزارة النفط / مكتب الوزير  
الرقم: ٩٢٦٤  
التاريخ: ٢٠٠٠ / ٧ / ١٥

جمهورية العراق  
وزارة النفط  
شركة تسويق النفط ( شركة عامة )

السيد وزير النفط المحترم

م / المصادقة على عقود النفط الخام المعطى

إشارة إلى هامش حياتكم بتاريخ ٢٠٠٠ / ٦ / ٢٥ على كشف التخصيصات للمرحلة الشاملة .

أثناء تكاميل العقد الموقع مع شركة (AREDIO PETROLEUM) (لوائح زويقات) .

- ١- رقم العقد : ٨/٥٥/٣٥
- ٢- تاريخ العقد : ٢٠٠٠ / ٧ / ١٥
- ٣- اسم الشركة المشتري : AREDIO PETROLEUM
- ٤- الجنسية : فرنسية
- ٥- الكمية : (٤) مليون برميل (٣ مليون كركسوك و (١) مليون برميل بمرحلة ثانية) .
- ٦- نوع النفط الخام : كركسوك وخمسة خفيف
- ٧- وجهة النفط الخام : أوروبا والشرق
- ٨- التخصيص : أوروبا والشرق
- ٩- فترة التخصيص : لغاية ٢٠٠٠ / ١٢ / ٣١
- ١٠- أنظمة التدوير : من السنة (٩١) مليون تون (عشر أطنان ٢٢ تون) للتحميل بالمشحون

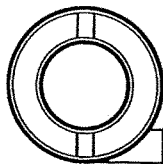
للتفصيل باللائحة والمصادقة مع التخصيصات .

سیدام ویداد  
المختبر التحليلي

مصادقة السيد الوزير

سوانه  
[Signature]





# State Oil Marketing Organization

P.O Box 5118 Baghdad – Iraq

Commercial Invoice No.: C7242000

Sold to : AREGIO PATROLEUM SARL - FRANCE  
Exporting Port : CEYHAN TERMINAL - TURKEY  
Ship's Name : STENA CONCORDIA  
Destination : ONE/TWO EUROPEAN PORT(S)  
Country of origin : IRAQ

Due date : 29.9.2000  
Contract No. : M/087/35  
BNP Confirmation no : B 722293  
Opening Bank L/c No. : LCIM1136363  
Shipment No. : CK/4860 (PART2)

Description of commodity	Quantity		Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	U.S. Bbls		
IRAQ CRUDE OIL (KIRKUK) 34.14 API GRAVITY AT 60° F	120,776.786	891,243	32.452	28,922,617.84

Total U.S. Dollars : TWENTY EIGHT MILLION NINE HUNDRED TWENTY TWO THOUSAND SIX HUNDRED SEVENTEEN AND EIGHTY FOUR CENT

Price Calculation: DATED BRENT MINUS \$3.40/BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS  
STARTING FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE  
OIL MARKET WIRE MINUS \$0.18/API DE-ESCALATION

PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT.  
ACCOUNT NUMBER 0200-401752-601-08

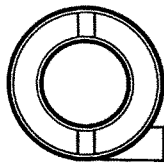
B/L DATED 31/8/2000

ORIGINAL

For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.



Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #25



## State Oil Marketing Organization

P.O Box 5118 Baghdad - Iraq Commercial Invoice No.: C7257000

Sold to : AREGIO PATROLEUM SARL - FRANCE  
Exporting Port : CEYHAN TERMINAL - TURKEY  
Ship's Name : STENA CONCORDIA  
Destination : ONE/TWO EUROPEAN PORT(S)  
Country of origin : IRAQ

Due date : 30.9.2000  
Contract No. : M/08/35  
BNP Confirmation no : B 722293  
Opening Bank L/c No. : LCIM1136363  
Shipment No. : CK/4860 (PART3)

Description of commodity	Quantity		Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	Long Tons		
IRAQ CRUDE OIL (KIRKUK) 34.14 API GRAVITY AT 60° F	8,311.248	8,179.96	30.22	1,853,422.82

Total U.S. Dollars : ONE MILLION EIGHT HUNDRED FIFTY THREE THOUSAND FOUR HUNDRED TWENTY TWO AND EIGHTY TWO CENT

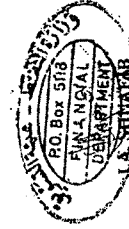
Price Calculation: DATED BRENT MINUS \$6.20/BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS  
STARTING FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE  
OIL MARKET WIRE MINUS \$0.16/BPTIDE- ESCALATION

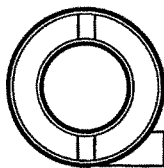
PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
ACCOUNT NUMBER 0200-201732-001-08

B/L DATED 1/9/2000

ORIGINAL

For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.





# State Oil Marketing Organization

P.O Box 51118 Baghdad - Iraq

Sold to : AREDIO PETROLEUM FRANCE  
Exporting Port : MINA AL BAKR TERMINAL  
Ship's Name : ESSEN  
Destination : ONE OR TWO U.S PORTS  
Country of origin : IRAQ

Due date : 23.10.2000  
Contract No. : M08/35  
BNP Confirmation no. : B722729  
Opening Bank L/c No. : LCIM1138706  
Shipment No. : BBL/2962 PART(1)

Description of commodity	Quantity		Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	Long Tons		
IRAQ CRUDE OIL (BASRAH LIGHT)	138,101.282	135,919.77	26.476	26,476,000.00
31.02 API GRAVITY AT 60° F				26,476,000.00

Total U.S. Dollars: **TWENTY SIX MILLION FOUR HUNDRED SEVENTY SIX THOUSAND ONLY**

Price Calculation: WTI (SECOND MONTH) MINUS \$ 6.70/BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE 15<sup>TH</sup> DAY FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$ 0.29 API DE-ESCALATION

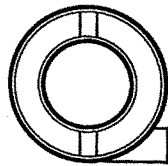
PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONALE DE PARIS.  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT.  
ACCOUNT NUMBER 0200-201752-601-08

B/L DATED 24/9/2000

LA SHUAIB  
For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.

ORIGINAL





30/1000  
AK, m7, m35

## State Oil Marketing Organization

P.O Box 5118 Baghdad - Iraq Commercial Invoice No.: B/305/2000

Sold to : AREADIO PETROLEUM FRANCE  
Exporting Port : MINA AL BANR TERMINAL  
Ship's Name : NEON  
Destination : ONE OR TWO FAR EAST PORTS  
Country of origin : IRAQ

Due date : 6.11.2000  
Contract No. : M/08/35  
BNP Confirmation no. : B723007  
Opening Bank L/c No. : LCIM1140616  
Shipment No. : BBL/2975 PART(2)

Description of commodity	Quantity		Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	Long Tons		
IRAQ CRUDE OIL (BASRAH LIGHT)	135,719.051	133,575.17	29.151	28,764,661.80
31.68 API GRAVITY AT 60° F				28,764,661.80

Total U.S. Dollars: TWENTY EIGHT MILLION SEVEN HUNDRED SIXTY FOUR THOUSAND SIX HUNDRED SIXTY ONE AND EIGHTY CENT

Price Calculation: OMAN + DUBAI ( FIRST MONTH) MINUS \$ 1.00/BBL AVERAGE FOR TEN CONSECUTIVE QUOTATIONS STARTING

FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$ 0.23 API DE-ESCALATION

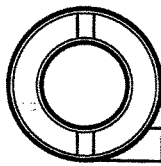
PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
ACCOUNT NUMBER 0200-201752-001-08



B/L DATED 8/10/2000

ORIGINAL

For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.



# State Oil Marketing Organization

P.O Box 5118 Baghdad - Iraq Commercial Invoice No.: C273/2000

Sold to : AREDIO PATROLEUM SARL - FRANCE  
Exporting Port : CEYHAN TERMINAL - TURKEY  
Ship's Name : NURIUS  
Destination : ONE/TWO EUROPEAN PORT(S)  
Country of origin : IRAQ

Due date : 19.11.2000  
Contract No. : M/08/35  
BNP Confirmation no : B 723421  
Opening Bank L/c No. : LCIM1143626  
Shipment No. : CK/4906

Description of commodity	Quantity		Price per Barrel FOB	Total value in U.S. Dollars
	Metric Tons	Long Tons		
IRAQ CRUDE OIL (KIRKUK) 33.95 API GRAVITY AT 60° F	80,991.815	79,712.43	27.039	16,141,938.53

Total U.S. Dollars : SIXTEEN MILLION ONE HUNDRED FORTY ONE THOUSAND NINE HUNDRED FIFTY EIGHT AND FIFTY THREE CENT

Price Calculation: DATED BRENT MINUS \$4.20/BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS  
STARTING FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE  
OIL MARKET WIRE MINUS \$0.20/ART DE-ESCALATION

PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
ACCOUNT NUMBER 0200-201752-001-08



B/L DATED 21/10/2000

ORIGINAL

For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.

ROUTING MESSAGE  
DCN: 0002087126 26 JUL 2000

RECEIVER: AMMSI  
SENDER: LONXP BASE NO: 400047  
SEND.NAME: CITIBANK N.A.LONDON  
PLACE: LONDON WC2R 1HB-ENGLAND  
TEST RESULT: NR  
USER CODE: FT9/5/96 DEL STATUS: F1  
REC.TIME: 27-115705  
PRIORITY: 02  
MESS.TYPE: 100  
SEND.TRN: TR170077641C0000  
OUTP.REF: AMR1391  
CCY: USD  
DEL.TIME: 27-131800

X TRAILER: MESSAGE TAKEN UP FOR AUTOFT PROCESSING

AMR1391 AFL9042

AMMSI  
LONXP08 270855 270855  
TEST NR  
9355 2/CITIBANKXXXXX48735  
0555 2/UEBGGHGGAXXX79694  
00 02  
00:TR170077641C0000  
02A:000727USD740000  
00:TAUNUS PETROLEUM LTD  
00A:BNPAUSSNXXX  
04A:CITIBUS33XXX

United European bank  
Geneva

AWAZ A. ZUREIKA  
SERVICE FEES: SP258 261 263 265  
71A18EN

1AC/6266771E  
MK/62A2C/88CSD0  
1AC  
00/270855 LN AP99439  
\*\*\* UNTESTED/OUTBOUND/RESULT NOT KNOWN \*\*\*

27 JUL 00 TIME 14:04:36 PAGE 001 LAST PAGE

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on Investigations

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #26

OFF - 000009  
STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION /  
SUBCOMMITTEE MEMBERS AND STAFF ONLY

AMM0000  
 NYEAP  
 .AMMSTCB  
 TEST Y AMT 150000  
 TESTED WITH CB LONDON  
 1700 03CITIUS33AKXX00000  
 1700 03CITIJGAKXX00000  
 100 02  
 :20:3002161738  
 :32A:000804USD150000,  
 :50:MR. FAWAZ ABDALLAH ZUREIKAT  
 P.O. BOX 7373  
 AMMAN, JORDAN  
 :53B://  
 CITIBANK N.A. AMMAN  
 :56D://CP0572  
 ARAB BANK PLC  
 :57D://CH015519  
 ARAB BANK PLC  
 AMMAN JORDAN  
 :59://  
 AMINA NAJAT ABU ZAYYAD  
 :71A:REN  
 :72://ACC/PAY THRU FIFTH CIRCLE  
 // BRANCH  
 -  
 =08011700CITIBANK N.A. AMMAN \*\* END OF MESSAGE \*\*  
 AMM0000  
 NYEAP

B-6



OFF - 000025  
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Permanent Subcommittee on Investigations

Galloway Testimony Report

EXHIBIT #27

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 Subcommittee on Investigations

**Payment**

Type: RC      Status: Fixed      Vdate: 080400      TCN:      BAN:      Cost Center:  
 Amount: \$149,980.00      Commission: \$16.00 (C)      Charge: \$0.00 ()  
 Credit Account: ( )  
 ABA: 0008 (CITIBANK N.A.)  
 Swift 20: G0002162239901      Swift 21:  
 Input: 08:38:53 (VIR)  
 OFAC: ()  
 Auth. Rel: ()  
 Released: 02:12:09  
 Verified: 10:46:13 (HAR)  
 Credit Party:      UID:      Swift: ARABJOAX100      Fedid:  
                  ARAB BANK,JBC,AMMAN  
 Old IBK Party:      UID:      Swift:      Fedid:  
 BBK Party:      UID:      Swift: ARABJOAX100      Fedid:  
                  ARAB BANK,JBC,AMMAN  
 BNF Party:      UID:      Swift:      Fedid:  
                  AMINA NAJI ABU ZAYYAD  
 Debit/INS Party:      UID:      Swift: CITIJOAX      Fedid:  
                  CITIBANK, N.A.  
                  AMMAN BRANCH  
                  P.O. BOX 5055  
                  AMMAN, JORDAN  
 OGB Party:      UID:      Swift: CITIJOAX      Fedid:  
                  CITIBANK  
 ORG Party:      UID:      Swift:      Fedid:  
                  MR. FAWAZ ABDALLAH ZUREIKAT  
                  P.O. BOX 7373  
                  AMMAN, JORDAN  
 ISN:      PSN:      RSN:      000125      SSN: 0038526  
 Line: 48      Pref:      RRSN:      Store Date: 080400  
 RoFDate:      RoFPSN:      RoFSSN:  
 OBI:  
 LESS CHARGES  
 BBI:  
 630      PAY THRU FIFTH CIRCLE BRANCH

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Permanent Subcommittee  
on Investigations

ST-Pymnts Investigations

09-Sep-05

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #28

ABUSS008



**Payment**

Type: CH Status: Released Vdate: 081100 TCN: 317 BAN: 973151  
 Amount: \$24,945.00 Commission: \$16.00 (C) Charge: \$0.00 ( ) Cost Center:  
 Debit Account: ( )  
 ABA: 0008 (CITIBANK N.A.)  
 Swift 20: T09080111 Swift 21:  
 Input: 00:00:00 (...)  
 OFAC: ( )  
 Auth. Rel: 00:37:59 (...)  
 Released: 00:40:49  
 Verified: 00:00:00 (...)  
 Credit/BBK Party: UID: Swift: CPBKGB22 FedId:  
 THE CO-OPERATIVE BANK PLC  
 78/80 CORNHILL  
 LONDON EC3V 3NJ, ENGLAND  
 BNF Party: UID: Swift: FedId:  
 AMINEH ANU ZAYYAD  
 Debit/INS Party: UID: Swift: ARABGB2L FedId:  
 ARAB BANK, LONDON  
 OGB Party: UID: 000000 Swift: FedId:  
 ARABJOAX134  
 ARAB BANK PLC  
 (FIFTH CIRCLE BRANCH)  
 AMMAN  
 ORG Party: UID: 000000 Swift: FedId:  
 AMINEH ABU ZAYYAD  
 ISN:000273 PSN: 000273 RSN: SSN: 0000718  
 Line:48 Pref: RRSN: Store Date: 081100  
 RoFDate: RoFPSN: RoFSSN:  
 BBI:  
 631 C ACC HELD AT YOUR 29 GORDON  
 STREET GLASGOW G1 3PF

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Permanent Subcommittee  
on Investigations

ST-Pymnts Investigations

15-Sep-05

Permanent Subcommittee on Investigations  
 Galloway Testimony Report  
 EXHIBIT #29

ABUSS009

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 NYEAP  
 .AMMSTCB  
 TEST Y AMT 40000  
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 1700 03CITIUS33AXXX00000  
 1700 03CITIJOAXXX00000  
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 :20:3002161758  
 :32A:000804USD40000,  
 :50:MR. FAWAZ ABDALLAH ZUREIKAT  
 P.O.BOX 7373  
 AMMAN, JORDAN  
 CITIBANK N.A. AMMAN  
 BYBLOS BANK  
 :57D:BYBLOS BANK  
 HAMRA BRANCH, BEIRUT, LEBANON  
 :59:PETROCORP A. V. V  
 A/C [REDACTED]  
 :70:COMMERCIAL FEES  
 :71A:BEN  
 -  
 -08031700CITIBANK N.A. AMMAN \*\* END OF MESSAGE \*\*

B-3

AMM0000  
 NYEAP  
 .AMMSTCB  
 TEST Y AMT 50000  
 TESTED WITH CB LONDON  
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 1700 03CITIJOAXXX00000  
 100 02  
 :20:3002161759  
 :32A:000804USD50000,  
 :50:MR. FAWAZ ABDALLAH ZUREIKAT  
 P.O.BOX 7373  
 AMMAN, JORDAN  
 CITIBANK N.A. AMMAN  
 BANQUE GENERALE DU LUXEMBOURG  
 :57D:BANQUE GENERALE DU LUXEMBOURG  
 AGENCE ROYAL MONTEREY, LUXEMBOURG  
 :59:020037  
 CYBERTECH CONSULTANCY SERVICES  
 :70:B/O MIDDLE EAST ADVANCED SEMI CONDU  
 CTOR INC  
 :71A:BEN  
 -  
 -08031700CITIBANK N.A. AMMAN \*\* END OF MESSAGE \*\*

B-4

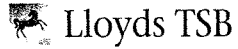
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 100 02  
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 :50:MR. FAWAZ ABDALLAH ZUREIKAT  
 P.O.BOX 7373  
 AMMAN, JORDAN  
 CITIBANK N.A. AMMAN  
 LLOYDS TSB BANK PLC  
 :57D:LLOYDS TSB BANK PLC  
 WESTMINSTER HOUSE BRANCH 4 DEAN  
 STANLEY STREET, MILLBANK, LONDON SW1P  
 3HU UK  
 :59:0223776  
 THE MARIAM APPEAL  
 :71A:BEN  
 -  
 -08031700CITIBANK N.A. AMMAN \*\* END OF MESSAGE \*\*

B-5

OFF - 000024  
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 Galloway Testimony Report  
 EXHIBIT #30

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WESTMINSTER HOUSE THE MARIAM APPEAL		ACCOUNT NO		SHEET 033 *	
Date	Particulars	Payments	Receipts	Balance	Ref
2000	OPENING BALANCE			11773.99	*
28JLY	000237	13.50			9061
	000241	218.10		11542.39	9061
31JLY	CHARGES 10JUN TO 09JLY				9101
	SERVICE CHARGE	28.00			
	000242	11.75		11502.64	* 9061
1AUG	000227	111.63			9061
	000235	35.25			9061
	000236	532.22		10823.54	* 9061
2AUG	000239	442.80		10380.74	* 9061
4AUG	MR. FAWAZ ABDALLAH F/FLOW		224996.31		9370
	000243	710.88			9061
	000250	1000.00		233666.17	* 1200
8AUG	<del>000234</del>	<del>1000.00</del>			9061
	<del>000247</del>	<del>240.00</del>		232426.17	* 9061
10AUG	NET CREDIT INTEREST				9120
	GROSS £131.36				
	TAX PAID £26.27		105.09		
	000238	337.00			9061
	000248	5334.50			9061
	011691	5000.00		221859.76	* 9061
	TOTAL PAYMENTS/RECEIPTS	15015.63	225101.40		

Produced on XFP System 118

Permanent Subcommittee on Investigations

Galloway Testimony Report

EXHIBIT #31

Lloyds TSB Bank plc Registered Office to 27th May  
 Registered in England and Wales no. 2065, Tinsley  
 Lloyds TSB Bank plc incorporates only the Scottish W

101, London EC2V 7HR,  
 Banking Codes,  
 (10)

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 Permanent Subcommittee  
 on Investigations



DE [REDACTED] on 3.8.00  
BRANCH\_000 HISTORY -COPIES PAGE 21

.AMMSTCB  
TEST Y AMT 20000  
TESTED WITH CB LONDON  
1700 03CITIUS33AXXX00000  
1700 03CITIJOAXXX00000  
100 02  
:20:3002161754  
:32A:000804USD20000,  
:50:MR. FAWAZ ABDALLAH ZUREIKAT  
P.O.BOX 7373  
AMMAN, JORDAN  
: [REDACTED]  
CITIBANK N.A. AMMAN  
FINANSBANK  
:57D:FINANSBANK  
KALAMIS BRANCH, ISTANBUL-TURKEY  
MR ALI OZER BALIKCI  
:71A:BEN  
-08031700CITIBANK N.A. AMMAN \*\* END OF MESSAGE \*\*

AMM0000  
NYEAP  
.AMMSTCB  
TEST Y AMT 15666  
TESTED WITH CB LONDON  
1700 03CITIUS33AXXX00000  
1700 03CITIJOAXXX00000  
100 02  
:20:3002161756  
:32A:000804USD15666,  
:50:MR. FAWAZ ABDALLAH ZUREIKAT  
P.O.BOX 7373  
AMMAN, JORDAN  
: [REDACTED]  
CITIBANK N.A. AMMAN  
BANK OF SCOTLAND  
:57D:BANK OF SCOTLAND  
41 SOUTH GYLE CRESCENT, EDINBURGH  
EH12 SCOTLAND  
MR RON MCKAY  
:71A:BEN  
-08031700CITIBANK N.A. AMMAN \*\* END OF MESSAGE \*\*

AMM0000  
NYEAP  
.AMMSTCB  
TEST Y AMT 878  
TESTED WITH CB LONDON  
1700 03CITIUS33AXXX00000  
1700 03CITIJOAXXX00000  
202 02  
:20:3002161757

OFF - 000023  
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Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #32

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Permanent Subcommittee  
on Investigations

Fax émis par : 8142463715 OPERA HELDER 15/01/01 12:03 Pg: 2/28  
13-JAN-01 SAT 22:03 SOMO. BAGHDAD FAX NO. 0096412853925 P. 2

**STATE OIL MARKETING ORGANIZATION**  
**CRUDE OIL SALES CONTRACT**

**NO. M /09/ 23**

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #33**

Fax émis par : 8142463715

OPERA HELDER

13-JAN-01 SAT 22:13

SOMO, BAGHDAD

15/01/01 12:03 Pg: 14/28  
FAX NO. 0096412853925 P. 14

8. Payments to SELLER under Sub Article 5-6 and Sub Article 6-7 of Section Two, and any other payments or awards under Article Thirteen of Section Two, are subject to the approval of the 661 Committee.
9. This Contract shall be subject to SCR 986, SCR 1111, SCR 1143, SCR 1153, SCR 1210, SCR 1242, SCR 1281, SCR 1302, SCR 1330, the Procedures and the Memorandum of Understanding between the Secretariat of the United Nations and the Government of Iran on the implementation of SCR 986 (United Nations document S/1996/356, dated 20 May 1996).

Other Terms and Conditions as per the standard SOMO General Conditions F.O.B. Crude Oil Sales Contract (Section Two), as per Contract No. M/08/35 dated 10/7/2000.

ARTICLE TENADDRESSES:

In addition to the notices, declarations and other communications required under Article Fourteen, Notices, approvals, declarations and communications required above for the Overseas, on behalf of the 661 Committee, shall be effected at the addresses below:-

FOR SELLER:

STATE OIL MARKETING ORGANIZATION  
P.O. BOX 5118  
BAGHDAD - IRAQ

TELEX: 212198 - 212199 SOMO IX  
TELEPHONE: 964-1-2869661  
964-1-7742040 - 10 Lines  
FAX: 964-1-2863926

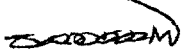
FOR BUYER:

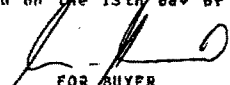
AREVIO PETROLEUM - FRANCE  
5, RUE DU HELDER F-75009 PARIS  
TEL: + 33 1 48 01 61 35  
FAX: + 33 1 42 46 37 15

FOR OVERSEAS:

UNITED NATIONS, NEW YORK, U.S.A  
FAX: 212 - 963 - 1628

This Contract has been done and signed on the 13th day of Jan. 2001.

  
FOR SELLER  
SADDAM Z. HASSAN  
EXECUTIVE DIRECTOR GENERAL

  
FOR BUYER  
MARTIN O. SCHENKER  
CO-MANAGER

In the Name of God, Most Gracious, Most Merciful

Republic of Iraq  
Ministry of Oil  
State Oil Marketing Organization (State Company)

No.: KH2/729  
Date: 19 Shawal, 1421 H  
Equivalent to 01/14/2001

Stamp  
Ministry of Oil/Office of the Minister  
No.: 616  
Date: 01/15/2001

To: H.E. the Oil Minister  
RE: Approval on Exported Crude Oil Contracts

Based on the approval of your Excellency, please find below the details of the contract signed with Aredio Petroleum Company (Fawaz Zuraiqat – Mariam's Appeal):

- 1- Number of Contract: M/09/23
- 2- Date of Contract: 01/12/2001
- 3- Name of Company Buyer: Aredio Petroleum – France
- 4- Nationality: French
- 5- Quantity: (2) million barrels of Basrah light crude oil  
(1) million barrels of Kirkuk oil
- 6- Type of Crude Oil: Basrah and Kirkuk
- 7- Destination of Crude Oil: the United States, Europe and the East
- 8- Period of Supply: until 02/28/2001
- 9- Pricing Formula: America, Europe, and the East
- 10- Estimated Value of Contract in Euro: about (64) million euros (Based on the rate of \$20 per barrel)
- 11- Surcharge: payable within one month from the date of loading each shipment

For your review and approval, please.



Saddam Zeben Hassan  
Executive Director

For the approval of the minister

I approve



01/15



01/16

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #34

وزارة التخطيط / مكتب الوزير  
 ٧١٦  
 ١٠٩ / ١ / ١٥

(أحضر من نفسك قبل عسكوك  
وانتبه الي صديقك قبل نفسك)  
الوثيق الكاشد (حلفه الله وزمعه)  
٢٠٠٠/٨/٨

٢٢ / العماد على عقود النقط الخام المعتبر

١- رقم الملف : 14/09/23

٢- تاريخ العكس : ٢٠٠١/١/١٣

3- اسم الشركة المشغوية : AREDIO PETROLEUM - FRANCE

١- الجنسية : التونسية

٥- الكمية : (٢) مليون جوميل نلظ خام بمروا خليلد  
(١) " " " " نلظ كركوك

٢١- نوع النفط الخام : بكرة + كركوك

٧- وجهة النقل الخام : الولايات المتحدة وأوروبا والشرق

أ- الشعوب: شعيرة الولايات المتحدة وأوروبا والشرق

٢٠٠١/٢/٢٨ : لائحة التجهيزات :

١٠- القيمة التقديرية : حوالي (٦٤) مليون يورو (على أساس ٢٠ دولار للبرميل الواحد).

١١- مبلغ الاشتراك : يدفع خلال شهر واحد من تاريخ تحميل كل دفعة .

يومين التفتت بالاطلاع والمصادقة مع التدبير...

المدينه المنصوره

مصادیق السيد النوری



**Crude Oil Allocations during Phase (9) of the Memorandum of Understanding\***

- Total quantities lifted reached about (354) million barrels
- Estimated profit margin of this phase is \$0.85 per barrel

\*Due to the special nature of this phase as the former regime imposed commission on the contractors (surcharge amount), and since many companies refused to pay said surcharge, therefore, instructions were given to contract with any company willing to pay the surcharge.

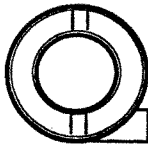
No.	Contract No.	Contractual Company	Quantity Lifted
23	M/09/23	Mr. Fawaz Zuraiqat / George Galloway / Aredio Petroleum - French	1.014

تخصيصات النفط الخام خلال المرحلة التاسعة من مذكرة التفاهم \*

- بلغ إجمالي الكميات المحملة حوالي (٣٥٤) مليون برميل .
- تم تقدير هامش الربح لهذه المرحلة بحدود (٠,٨٥) دولار للبرميل الواحد .

\* نظرا للطبيعة الخاصة لهذه المرحلة بسبب قيام النظام السابق بفرض عوالة على المستفيدين (مبالغ الاسترجاع) وإستنتاج معظم شركات عن لزامه نتيجة لذلك فقد تم التوجه بالاتفاق مع أية شركة لديها الإستعداد لتدفع تلك العوالة.

رقم	البلد	الاسم	الكمية (مليون برميل)
1	M/09/01	لكون بترولوم - سورية	21.171
2	M/09/02	أوم هوانك - تركيا	4.003
3	M/09/03	فسيه نديم شاعور - كركم هوانك - ماليزية	1.910
4	M/09/04	أينار بترولوم لمتك - ألتنتشان	22.633
5	M/09/05	روزل ناط الروسية	
6	M/09/06	فسيه سقدي مجلي - مولتيكا كرينك بي تي واي اينك - جنوب أفريقيا	1.859
7	M/09/07	أرتكك الإيطالية	37.390
8	M/09/08	باميتال أركي البترولوم	6.715
9	M/09/09	الحزب الديمقراطي التركي - كرامل أوف بيل كوربوريشن - تركيا	
10	M/09/10	أجنارل الكوكي مكرين (الطام) - سيدكي الروسية	
11	M/09/11	الشيوخ احمد ملاح سعيد النخبة - بترول - عراقية	
12	M/09/12	فسيه عبد الجادة - الفارس العربي - مصرية	
13	M/09/13	عوض عمورة ومشارف - سورية	1.962
14	M/09/14	فسيه عثمان زكريا (سوري) فجنسية - كركم هوانك الماليزية	
15	M/09/15	أهدى / عراقية	4.135
16	M/09/16	أفريكان بترولوم - ليبيرية	
17	M/09/17	دلتا بترولوم - تركيا	4.008
18	M/09/18	فسيه فائق احمد شريف - ماسك - ماليزية	38.256
19	M/09/19	أرانشانك كال (صالح لحدى الجبهات الحكومية الروسية)	2.016
20	M/09/20	أوري للتجارة - سوريا	1.998
21	M/09/21	مسانسو - سودانية	
22	M/09/22	مشتاي لميرت - روسية	2.997
23	M/09/23	فسيه أوق زويقات / جورج كاري أفريدي بترولوم - أرمينية	1.014
24	M/09/24	الشيوخ حمد بن علي آل ثاني - بيت أويل - يمنية	
25	M/09/25	ديوان الفرنسية الروسية - رول ناط لميس - روسية	11.428
26	M/09/26	السيدة حمودة نطع أفريكان بترولوم لمتك الليبيرية	
27	M/09/27	فسيه محمود أبي العباس / أرانشانك كال جوييت مكر - روسية	
28	M/09/28	فسيه أوستن وولت - ميد نفا بترولوم كوميبي لمتك - كيرسية	8.023
29	M/09/29	روم بترول أرمينية	2.960
30	M/09/30	فسيه صدفلي الأريفي - شاهي للتجارة - يمنية	0.916
31	M/09/31	أويل اكسو - كندية	
32	M/09/32	الشيوخ احمد ملاح سعيد النخبة - أومر أويل - عراقية	3.984
33	M/09/33	فسيه سلفكوري نيكورا - أي . بي . لن الإيطالية	
34	M/09/34	جسي ، في ، بيلفام البترولوم	1.982
35	M/09/35	لكون بترولوم لمتك ألتنتشان	6.738
36	M/09/36	ميدوا كولاستك - ميسورية	2.011



AK, MT, MS

# State Oil Marketing Organization

P.O Box 5118 Baghdad - Iraq

Commercial Invoice No.: B/104/2001

Sold to : ASI MIDDLE EAST ADVANCED SEMI CONDUCTOR INC.

Due date : 05/07/2001

Exporting port : MINA ALBAKR TERMINAL

Contract no. : M09/118

Ship Name : MAJESTIC

BNP Confirmation no : D727822

Destination : ONE OR TWO SAFE BERTH(S) PORT(S) EUROPE

Opening Bank Lic No. : LCIM1175286

Country of origin : IRAQ

Shipment No. : BBLJ3128

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #36

Description of commodity	Quantity		Price per Barrel FOB	Total value in EURO
	Metric Tons	U.S. Bbls		
IRAQ CRUDE OIL BASRAH LIGHT 30.98 API GRAVITY AT 60 F°	135,539.805	990,610	26.340	26,092,667.40
				26,092,667.40

Total EURO : ~~TWENTY SIX MILLION NINETY TWO THOUSAND SIX HUNDRED SIXTY SEVEN AND FORTY CENTS~~

Price Calculation: DATED BRENT MINUS \$ 4.10 /BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE 15th DAY FROM THE BIL DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$ 0.30 API DE-ESCALATION

PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
EURO SUB-ACCOUNT, ACCOUNT NUMBER 0200-201752-002-05

For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.

ORIGINAL

B/L DATED 06/06/2001

06/28/2001 17:48 FAX 1 917 307 21

338

FROM : MIDDLE EAST ASI

PHONE NO. : +962 6 5533177

May. 11 2001 12:12PM P2

**STATE OIL MARKETING ORGANIZATION**  
**CRUDE OIL SALES CONTRACT**

**NO. M /09/118**

FROM : MIDDLE EAST ASI

PHONE NO. : +962 6 5533177

May. 11 2001 12:18PM P14

8. Payments to SELLER under Sub Article 5-5 and Sub Article 6-7 of Section Two, and any other payments or awards under Article Thirteen of Section Two, are subject to the approval of the 661 Committee.
9. This Contract shall be subject to SCR 986, SCR 1111, SCR 1143, SCR 1153, SCR 1210, SCR 1242, SCR 1281, SCR 1302, SCR 1330, the Procedures and the Memorandum of Understanding between the Secretariat of the United Nations and the Government of Iraq on the implementation of SCR 986 (United Nations document S/1996/356, dated 20 May 1996).

Other Terms and Conditions as per the standard SOMO General Conditions F.O.B. Crude Oil Sales Contract (Section Two).

## ARTICLE TEN

## ADDRESSES:

In addition to the notices, declarations and other communications required under Article Fourteen, notices, approvals, declarations and communications required above for the Overseers, on behalf of the 661 Committee, shall be effected at the addresses below:-

## FOR SELLER:

STATE OIL MARKETING ORGANIZATION  
P.O.BOX 5118  
BAGHDAD - IRAQ

TELEX: 212198 - 212199 SOMO IK  
TELEPHONE: 964-1-2869561  
964-1-7742040 - 10 Lines  
FAX: 964-1-8853925

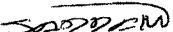
## FOR BUYER:

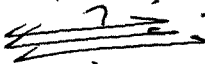
MIDDLE EAST ADVANCED SEMICONDUCTOR, INC.  
AMMAN. 24 ABU ERSHEID CENTRE / GARDENS ST.-TLA'A AL-ALI  
TEL: 9626-5533166/5532863/5522862  
FAX: 9626-5533177  
TLX: 21199 MARJI JO  
P.O.BOX. 7373 AMMAN (11118) JORDAN  
E-MAIL: FAWAZ @ MEASI. COM.JO

## FOR OVERSEERS:

UNITED NATIONS, NEW YORK, U.S.A  
FAX: 212 - 963 - 1628

This Contract has been done and signed on the 3rd day of May 2001.

  
FOR SELLER  
SADDAM Z. HASSAN  
EXECUTIVE DIRECTOR GENERAL

  
FOR BUYER  
FAWAZ A. ZUREIKAT  
PRESIDENT

Oil Marketing Company  
Shipping & Quantities Department

Date: 06/14/2001

To: H.E. the Minister  
Please review with sincere regards.

06/18

Saddam Zeben Hassan

Exports of Iraqi Crude Oil as per the Memorandum of Understanding/Phase Nine from 12/07/2000 - 06/03/2001

As per the Security Council's Resolution no. (1330) / 2000

(Thousands of Barrels)

Country	Company	Contractual Qty	Lifted Quantities		Total	Percentage of Lifting	Total Percentage of Lifting	Markets	
			Al-Bahr	Ceyhan				Europe	U.S.A. East
Cypress	Total	21000	8023	3017	11040	53%	3723%	1002	10039
	Nafte Petroleum	12000	8023	0	8023	67%	2.75%	0	8023
	KTG Kentford	2000	0	0	0	0%	0.00%	0	0
	Mosco Trading	2000	0	2015	2015	101%	0.69%	0	2015
	Maribel Arch	2000	0	0	0	0%	0.00%	0	0
Arab	NKT	2000	0	0	0	0%	0.00%	0	0
	Trevor Trading (Arab Tankers Company)	1000	0	1002	1002	100%	0.34%	1002	0
	Total	7500	1405	2999	2211	50%	1669%	1082	11227
	Income	4000	0	0	0	0%	0.00%	0	0
	Income 73	2000	0	1966	1966	98%	0.67%	1966	0
Jordan	Total	3000	991	0	991	50%	0.34%	991	0
	Middle East (Galloway)	2000	991	0	991	50%	0.34%	991	0
	Jordan Grain	6000	0	0	0	0%	0.00%	0	0
	Al-Rashed	2000	0	0	0	0%	0.00%	0	0
	Grand Resources	2000	0	0	0	0%	0.00%	0	0
Lebanon	Middle East (MEPCOM)	2000	0	0	0	0%	0.00%	0	0
	Total	6000	1000	2985	2985	60%	0.33%	2985	1000
	B.B. Energy	2000	1000	1021	2021	101%	0.69%	1021	1000
	Fadi Oil	2000	0	1967	1967	98%	0.67%	1967	0
	Planet Petroleum	2000	0	0	0	0%	0.00%	0	0
Qatar	Total	5000	0	0	0	0%	0.00%	0	0
	Perolina Oil	2000	0	0	0	0%	0.00%	0	0
	Gulf Petroleum	2000	0	0	0	0%	0.00%	0	0
	National Oil Well	2000	0	0	0	0%	0.00%	0	0
	Total	4000	962	999	1961	99%	0.65%	961	0
Syria	Total	2000	962	1800	1962	98%	0.67%	1962	0
	Awad Amnora	2000	962	1800	1962	98%	0.67%	1962	0

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #37

Emirates	Nouri for Trading	2000	0	1998	1998	100%	0.68%	1998	0	0
	Total	36500 7.1%	10627	0	10627	299%	3.64%	0	10627	0
	Benzol	4000	0	0	0	0%	0.00%	0	0	0
	Al-Hoda	6000	0	0	0	0%	0.00%	0	0	0
	Unifuel	2000	0	0	0	0%	0.00%	0	0	0
	Petroline	2000	2014	0	2014	101%	0.69%	0	2014	0
	Jewan	4000	4070	0	4070	102%	1.39%	0	4070	0
	Fal Oil	4000	4044	0	4044	101%	1.38%	0	4044	0
	Emir Oil	6000	0	0	0	0%	0.00%	0	0	0
	Emir Oil	6000	0	0	0	0%	0.00%	0	0	0
	Coast Oil	2000	0	0	0	0%	0.00%	0	0	0
	Camtech	500	500	0	500	100%	0.17%	0	500	0
Yemen	Total	3000 0.6%	916	0	916	31%	0.31%	916	0	0
	Shaher Trading	1000	916	0	916	92%	0.31%	916	0	0
	Shaher Trading	2000	0	0	0	0%	0.00%	0	0	0
Oman	Total	2000 0.4%	0	0	0	0%	0.00%	0	0	0
	Shanfari	2000	0	0	0	0%	0.00%	0	0	0

[illegible]



[illegible]

N C O M I N G M E S S A G E  
OCN: G011840135 03 JUL 2001

RECEIVER: AMST	REC.TIME: 04-173519
SENDER: LONKP	PRIORITY: 02
BASE NO: 400047	MESS.TYPE: 100
SEND.NAME: CITIBANK N.A.LONDON	SEND.TRN: TR170018588C0000
PLACE: LONDON WC2R 1HB-ENGLAND	OUTP.RET: AMR4399
TEST RESULT: NR	CCY: USD
USER CODE: FT9/6201	DEL.STATUS: FT
	DEL.TIME: 04-180400

\* TRAILER: MESSAGE TAKEN UP FOR AUTOFT PROCESSING

AMR4399  
AMMST

TEST RM  
1531 04CIT1J0AXCXXK41838  
1631 04UEBGCHGGJ0XXK44357  
100 02  
:20:TR170018586C0000  
:32A:010705USD297183,  
:50:TAURUS PETROLEUM LIMITED  
:53A:BNP&S3X0X  
:54A:CIT10S3X0X  
:57D:CIT1BAK  
MAIN BRANCH  
AMMAN  
JORDAN  
: [REDACTED]  
FAWAZ A. ZUREKAT  
:70:SERVICE FEES SF 01-402  
:71A:BN

MAC/[REDACTED]  
CHK/[REDACTED]  
SAC  
#07041429 LN FR64301  
\*\*\* UNTESTED/OUTBOUND/RESULT NOT KNOWN \*\*\*

04.JUL 01 TIME 21:09:27 PAGE 001 LAST PAGE

OFF - 000013  
STRICTLY CO  
SUBCOMMITT

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #38**

Redacted by the  
Permanent Subcommittee  
on Investigations

22 [REDACTED] 0-9.7.01  
 .AMM0000  
 NYEAP  
 .AMMSTCB  
 TEST XXXXXXXX AMT 30000  
 TESTED WITH CB LONDON  
 1400 09CITUS31AXXX00000  
 1400 09CITUS31AXXX00000  
 103 02  
 :20:3011900211  
 :23B:CREG  
 :32A:010710USD30000,  
 :50:MR. FAWAZ ABDALLAH ZUREIKAT  
 P.O.BOX 7373  
 AMMAN, JORDAN  
 CITIBANK N.A. AMMAN  
 LLOYDS TSB BANK PLC  
 :57D:LLOYDS TSB BANK PLC  
 WESTMINSTER HOUSE BRANCH 4 DEAN  
 STANLEY STREET, MILLBANK, LONDON SW1P  
 3RU UK  
 :59:/0223776  
 THE MARIAM APPEAL  
 :70:DONATION  
 :71A:SHA  
 =07091400CITIBANK N.A. AMMAN \*\* END OF MESSAGE \*\*  
 AMM0000

B-9

OFF - 000028

STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION /  
SUBCOMMITTEE MEMBERS AND STAFF ONLY

Permanent Subcommittee on Investigations  
 Galloway Testimony Report  
 EXHIBIT #39

Redacted by the  
 Permanent Subcommittee  
 on Investigations

**STATE OIL MARKETING ORGANIZATION  
CRUDE OIL SALES CONTRACT**

**NO. M/10/38**

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #40**

8. Payments to SELLER under SUB Article 5-5 and Sub Article 6-7 of Section Two, and any other Payments or awards under Article Thirteen of Section Two, are subject to the approval of the 661 Committee.

9. This Contract shall be subject to SCR 986, SCR 1111, SCR 1143, SCR 1153, SCR 1210, SCR 1242, SCR 1281, SCR 1302, SCR 1330, SCR 1360 the Procedures and the Memorandum of Understanding between the Secretariat of the United Nations and the Government of Iraq on the implementation of SCR 986 (United Nations document S/1996/356, dated 20 May 1996).

All other terms and conditions as per (Section Two) General Conditions of F.O.B. crude oil sales contract and attached appendices 1 & 2 as per Contract No. M/ 09/118 DATED 3.5.2001.

#### ARTICLE TEN

##### ADDRESSES:

In addition to the notices, declarations and other communications required under Article Fourteen, notices, approvals, declarations and Communications required above for the Overseers, on behalf of the 661 Committee, shall be effected at the addresses below:-

##### FOR SELLER:

STATE OIL MARKETING ORGANIZATION

P.O. BOX 5118 BAGHDAD - IRAQ

TELEX : 212198 - 212199 SOMO IK

TELEPHONE: 964-1-7742040 - 10 Lines FAX: 964-1-8853925

##### FOR BUYER:

MIDDLE EAST ADVANCED SEMICONDUCTOR, INC.

AMMAN, 24 ABU ERSHEID CENTRE /GARDENS ST.-TLAA AL- ALI

TEL:9626-5533166/5532863/5522862

FAX:9626-5533177

TLX:21199 MARJI JO

P.O.Box.7373 AMMAN (11118)JORDAN

E-MAIL:FAWAZ @ MEASL.COM.JO

##### FOR OVERSEERS

UNITED NATIONS, NEW YORK, U.S.A.

FAX : 212 - 963 - 1628

This Contract has been done and signed on the 6<sup>TH</sup> day of August 2001.



**FOR SELLER**

SADDAM Z. HASSAN

EXECUTIVE DIRECTOR GENERAL  
S.O.M.O



**FOR BUYER**

FAWAZ A. ZUREIKAT  
PRESIDENT

Stamp  
Ministry of Oil/Office of the Minister  
No.: 12562  
Date: 08/14/2001

In the Name of God, Most Gracious, Most Merciful

Republic of Iraq  
Ministry of Oil  
State Oil Marketing Organization (State Company)

No.: KH2/12116  
Date: 25 Jumada I, 1422 H  
Equivalent to 08/14/2001

To: H.E. the Oil Minister  
RE: Approval on Exported Crude Oil Contracts

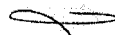
Based on the statement of allocations dated 07/06/2001, please find below the details of the contract signed with (Middle East ASI) Company (Fawaz Zureikat):

- 1- Number of Contract: M/10/38
- 2- Date of Contract: 08/06/2001
- 3- Name of Company Buyer: Middle East Advanced Semiconductor, Inc.
- 4- Nationality: Jordanian
- 5- Quantity: (3) million barrels
- 6- Type of Crude Oil: (2) million barrels of Basrah light  
(1) million barrels of Kirkuk
- 7- Destination of Crude Oil: Europe and America for Kirkuk oil  
America and the East for Basrah light
- 8- Pricing Formula: Europe / America / the East
- 9- Period of Supply: until 11/30/2001
- 10- Estimated Value of Contract in Euro: about (66) million euros (Based on the rate of \$20 per barrel)
- 11- Surcharge: payable within (30) days after loading

For you to review and approval, please

  
Saddam Zebe Hassan  
Executive Director

For the approval of the minister  
I approve

  
08/16

  
08/16

[Page footer]  
P.O. Box 5118 Baghdad-Iraq

Tel. 7742040-10 Telex 212198 & 212199

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #41

وزارة النفط / مكتب الوزير  
الرقم / ٤٥٦٩  
التاريخ: ١٩/٨/٢٠٠٠  
بسم الله الرحمن الرحيم

جمهورية العراق

وزارة النفط

شركة تسويق النفط (شركة عامة)

الرقم : ١٢٤ / ١٢١٦  
التاريخ : ٢٥ جمادى الاولى / ١٤٢٢ هـ  
الموافق : ١٦ / ٨ / ٢٠٠١ م

اجعل عدوك أمام عينيك  
واسبقه ولا تدعه خلف ظهرك  
الرئيس القائد (حفظه الله ورعاه)  
٢٠٠٠/٨/٨

السيد وزير النفط المحترم

م / المصادقة على عقود النفط الخام الممثلة

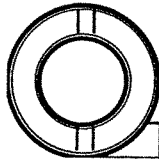
استنادا الى كشف التخصيمات في ٢٠٠٠/٧/٦ أثناء تفاصيل العقد الموقع مع شركة (MIDDLE EAST SAE) - (فوار ريفات) بـ

- ١- رقم العقد : M/10/38
- ٢- تاريخ العقد : ٢٠٠١/٨/٦
- ٣- اسم الشركة المشتري : MIDDLE EAST ADVANCED SEMICONDUCTOR INC.
- ٤- الجنسية : اردنية
- ٥- التكميلية : (٣) مليون برميل
- ٦- نوع النفط النسيب : (٢) مليون برميل بكرة نفيد (١) مليون برميل بكرة نفيد
- ٧- وجه التسلط النسيب : أوروبا وأمريكا بالنيابة لمرمر كركوك وأمريكا والشرق بالنيابة لمرمر البصرة الخفيد
- ٨- التخصيم : أوروبا / أمريكا / الشرق
- ٩- فترة التخصيم : لغاية ٢٠٠١/١١/٢٠
- ١٠- القيمة التقديرية : حوالي (١٦) مليون يورو (عشر اثنان ٢٠ دولار للمعد بالمرمر)
- ١١- مبلغ الاسترجاع : يدفع خلال (٢٠) يوما بعد التخصيم

يرجى التفضل بالاطلاع والمصادقة مع التخصيم

مصادم وزير النفط  
السيد الوزير

مصادقة السيد الوزير



# State Oil Marketing Organization

P.O Box 5118 Baghdad - Iraq

Commercial Invoice No.: C/124/2001

AK, HT, MS

Sold to : MIDDLE EAST ADVANCED

Exporting port : CEYHAN TERMINAL - TURKEY

Ships Name : CRUDESTAR

Destination : ONE OR TWO SAFE BERTH(S) / PORT(S) EUROPE

Country of origin : IRAQ

Due date : 09/10/2001

Contract no. : M/10/38

BNP Confirmation no : N730272

Opening Bank L/c No. : BCHA 43-011541

Shipment No. : CK/5055

Description of commodity	Quantity		Price per Barrel FOB	Total value in EURO
	Metric Tons	U.S. Bbls		
IRAQ CRUDE OIL KIRKUK 33.72 API GRAVITY AT 60 F°	136,236.434	1,002,767	28.050	28,127,614.35
				28,127,614.35

Total EURO : TWENTY EIGHT MILLION ONE HUNDRED TWENTY SEVEN THOUSAND SIX HUNDRED FOURTEEN AND THIRTY FIVE CENT

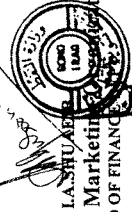
Price Calculation: DATED BRENT MINUS \$ 2.00 /BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$ 0.22 API DE-ESCALATION

PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONALE DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
EURO SUB-ACCOUNT, ACCOUNT NUMBER 0200-201752-002-05

B/L DATED 09/09/2001

ORIGINAL

For State Oil Marketing Organization  
HEAD OF FINANCE



Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #42



**Payment**

Type: RC      Status: Fixed      Vdate: 101701      TCN:      BAN:  
 Amount: \$338,000.00      Commission: \$0.00 ()      Charge: \$0.00 ()      Cost Center:  
 Credit Account: ██████████ ()  
 ABA: 0103 (BANKERS TRUST COMPANY)  
 Swift 20: ██████████      Swift 21: ██████████  
 Input: 10:18:06 (JOA)  
 OFAC: ()  
 Auth. Rel: ()  
 Released: 09:57:27  
 Verified: 11:50:16 (VIR)  
 Credit Party: ██████████      UID: ██████████      Swift: ARABJOAX100      FedId:  
                  ARAB BANK,JBC,AMMAN  
 Old BBK Party:      UID:      Swift:      FedId:  
 BNF Party:      UID:      Swift: ARABJOAX100      FedId:  
                  ARAB BANK PLC  
                  AMMAN  
 Debit/ORG Party:      UID:      Swift: CRESCHZZ12A      FedId:  
                  CREDIT SUISSE FIRST BOSTON  
                  CASE POSTALE 2153  
                  GENEVA 1211 70 SWITZERLAND  
 ISN:      PSN:      KSN:      000458      SSN: 0163436  
 Line:48      Pref:      RRSN:      Store Date: 101701  
 RoFDate:      RoFPSN:      RoFSSN:

Permanent Subcommittee on Investigations

 Galloway Testimony Report  
 EXHIBIT #43

 Redacted by the  
 Permanent Subcommittee  
 on Investigations

**Select Statement Sheets - [REDACTED]**

MR S HALFORD  
THE MARIAM APPEAL  
PO BOX 2774  
LEWES  
BN7 1GZ

Branch Name: WESTMINSTER HOUSE

Sort Code: 309950  
Account no: [REDACTED]

Sheet: 65  
Date issued: 01/11/2001

**account statement**

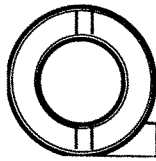
TREASURERS ACCOUNT  
THE MARIAM APPEAL

Date	Activity	Paid out	Paid in	Bal:
18Oct01				3
24Oct01	S/O [REDACTED] S/O	[REDACTED]		
25Oct01	BGC FAWAZ F/FLOW		20,852.49	20.9
30Oct01	CHQ 000472 *	6,724.01		14,192.15
31Oct01	CHQ 000473 *	3,000.00		11,192.15
31Oct01	CHQ 000474	495.00		10,697.15
31Oct01	CHQ 000478	6.48		10,690.67
01Nov01	CHQ 000477 *	2,000.00		8,690.67
	<b>TOTAL PAYMENTS/RECEIPTS:</b>	<b>12,525.49</b>	<b>20,852.49</b>	

BGC-Bank Giro CreditC/P-CashpointD/D-Direct DebitDIV-DividendINT-InterestS/O-Standing OrderTEL-Telephone Banking Transaction

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #44**

Redacted by the  
Permanent Subcommittee  
on Investigations



# State Oil Marketing Organization

P.O Box 5118 Baghdad - Iraq

Commercial Invoice No.: B/183/2001

Sold to : ASI MIDDLE EAST ADVANCED SEMI CONDUCTOR INC.  
Exporting port : MINA ALBAKR TERMINAL  
Ship Name : EASTERN POWER  
Destination : ONE OR TWO SAFE BERTH (S)/PORT (S) U.S.A.  
Country of origin : IRAQ

Due date : 14/11/2001  
Contract no. : M/10/38  
BNP Confirmation no : N731117  
Opening Bank L/c No. : BCHA43-012176  
Shipment No. : BBL/3197

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #45

Description of commodity	Quantity		Price per Barrel FOB	Total value in EURO
	Metric Tons	U.S. Bbls		
IRAQ CRUDE OIL				
BASRAH LIGHT	265,611.138	1,917,528	15.039	28,837,703.59
30.53 API GRAVITY AT 60 F°				
				28,837,703.59

Total EURO : ~~SEVENTY EIGHT MILLION EIGHT HUNDRED THIRTY SEVEN THOUSAND SEVEN HUNDRED THREE AND FIFTY NINE CENTS~~

Price Calculation: WT/SECOND MONTH MINUS \$ 7.00 /BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE 15th DAY FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$ 0.34 API DE-ESCALATION

PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
EURO SUB-ACCOUNT ACCOUNT NUMBER 0200-201752-002-05

LA SHUAEB  
For State Oil Marketing Organization  
HEAD OF FINANCE

B/L DATED 16/10/2001

ORIGINAL

**Payment**

Type: RC Status: Fixed Vdate: 111901 TCN: BAN:  
Amount: \$598,640.14 Commission: \$0.00 () Charge: \$0.00 () Cost Center:  
Credit Account:   
ABA: 0103 (BANKERS TRUST COMPANY)  
Swift 20: Swift 21:   
Input: 11:30:11 (HAR)  
OFAC: ()  
Auth. Rel: ()  
Released: 11:23:17  
Verified: 13:21:53 (MUM)  
Credit Party: UID: Swift: ARABJOAX100 FedId:  
ARAB BANK,JBC,AMMAN  
Old BNF Party: UID: Swift: ARABJOAX100 FedId:  
ARAB BANK,JBC,AMMAN  
Debit/OGB Party: UID: Swift: CRESCHZZ12A FedId:  
CREDIT SUISSE FIRST BOSTON  
CASE POSTALE 2153  
GENEVA 1211 70 SWITZERLAND  
ORG Party: UID: Swift: FedId:  
TAURUS PETROLEUM LTD  
ISN: PSN: RSN: 000551 SSN: 0208472  
Line:48 Pref: RRSN: Store Date: 111901  
RoFDate: RoFPSN: RoFSSN:

BBI:  
650

IN COVER OF OUR 11/19/01 MT-10N VAL  
UE DATE 11/19/01 FEES DEDUCTED \$20.  
50

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #46

Redacted by the  
Permanent Subcommittee  
on Investigations

## Select Statement Sheets - [REDACTED]

MR S HALFORD  
THE MARIAM APPEAL  
PO BOX 2774  
LEWES  
BN7 1GZ

Branch Name: WESTMINSTER HOUSE

Sort Code: 309950

Account no: [REDACTED]

Sheet: 67

Date issued: 29/11/2001

## account statement

TREASURERS ACCOUNT  
THE MARIAM APPEAL

Date	Activity	Paid out	Paid in	Balance
15Nov01				1,344.17
19Nov01	BGC BANK GIRO CREDIT 500170 CLIFFE LEWES		10.00	1,354.17
19Nov01	CHQ 000482	59.28		1,294.89
22Nov01	CHQ 000485	107.97		1,186.92
26Nov01	S/O [REDACTED] S/O			86
27Nov01	BGC BANK GIRO CREDIT 500171 CLIFFE LEWES		3,011.50	3,897.42
28Nov01	BGC FWAZ AL F/FLOW		17,473.38	21,371.80
	<b>TOTAL PAYMENTS/RECEIPTS:</b>	<b>467.25</b>	<b>20,494.88</b>	

BGC-Bank Giro Credit/C/P-Cashpoint/D/D-Direct Debit/DIV-Dividend/INT-Interest/S/O-Standing Order/TEL-Telephone Banking Transaction

Permanent Subcommittee on Investigations

Galloway Testimony Report

EXHIBIT #47

Redacted by the  
Permanent Subcommittee  
on Investigations

**STATE OIL MARKETING ORGANIZATION  
CRUDE OIL SALES CONTRACT**

**NO. M/11/04**

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #48**

9. This Contract shall be subject to SCR 986, SCR 1111, SCR 1143 SCR 1153, SCR 1210, SCR 1242, SCR 1281, SCR 1302, SCR 1330, SCR 1360, SCR 1382, the Procedures and the Memorandum of Understanding between the Secretariat of the United Nations and the Government of Iraq on the implementation of SCR 986 (United Nations document S/1996/356, dated 20 May 1996).

All other terms and conditions as per ( Section Two) General Conditions of F.O.B. crude oil sales contract and attached appendixes 1 & 2 as per Contract No. M /10/3 & dated 6/8/2001.

#### ARTICLE TEN

##### ADDRESSES:

In addition to the notices, declarations and other communications required under Article Fourteen, notices, approvals, declarations and Communications required above for the Overseers, on behalf of the 661 Committee, shall be effected at the addresses below:-

##### FOR SELLER:

STATE OIL MARKETING ORGANIZATION  
P.O. BOX 5118 BAGHDAD - IRAQ  
TELEX : 212198 - 212199 SOMO IK  
TELEPHONE: 964-1-7742040 - 10 Lines FAX: 964-1-8853925

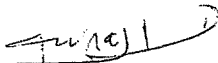
##### FOR BUYER:

MIDDLE EAST ADVANCED SEMICONDUCTOR, INC.  
AMMAN, 24 ABU ERSHEID CENTRE /GARDENS ST.-TLAA AL -ALI  
TEL: 9626 5533166/5532863/5522862  
FAX: 9626 -5533177  
TLX: 21199 MARJI JO.  
P.O. BOX 7373 AMMAN (11118) JORDAN  
E-MAIL FAWAZ@MEASI.COM -JO

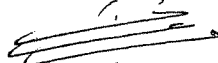
##### FOR OVERSEERS

UNITED NATIONS, NEW YORK, U.S.A.  
FAX : 212 - 963 - 1628

This Contract has been done and signed on the 12<sup>th</sup> day of December 2001.



FOR SELLER  
ALI R. HASSAN  
ACTING EXECUTIVE DIRECTOR GENERAL  
(S.O.M.O)



FOR BUYER  
FAWAZ A. ZUREIKAT  
PRESIDENT

In the Name of God, Most Gracious, Most Merciful

Republic of Iraq  
Ministry of Oil  
State Oil Marketing Organization (State Company)

No.: KH2/18304  
Date: 4 Shawal, 1422 H  
Equivalent to 12/19/2001

Stamp  
Ministry of Oil/Office of the Minister  
No.: 21214  
Date: 12/20/2001

To: H.E. the Oil Minister

RE: Approval on Exported Crude Oil Contracts

Based on the statement of allocations dated 12/10/2001, please find below the details of the contract signed with Middle East ASI Company (Mr. George Galloway)/Fawaz Zuraiqat:

Name of Company: Middle East Advanced Semiconductor.

Number of Contract: M/11/04

Date of Contract: 12/12/2001

Nationality: Jordanian

Quantity: (3) million barrels (2 millions of Basrah light and 1 million of Kirkuk)

Type of Crude Oil: Basrah light and Kirkuk

Period of Supply: until 11/25/2002

Destination of Crude Oil: Europe and America for Kirkuk, and the East and America for Basrah light

Pricing Formula: America, Europe, and the East

Estimated Value of Contract in Euro: about (66) million euros (Based on the rate of \$20 per barrel)

Surcharge: As per the instructions of your Excellency over the phone on 12/11/2001 of not accepting the company's proposals unless they pay the debt incurred since phase eight.

For your review and approval, please.



Ali Rajab Hassan  
Acting Executive Director

For the approval of the minister

I approve



12/23

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #49



بسم الله الرحمن الرحيم

الرقم : خ ١٨٢٠٤ / ٢  
التاريخ : ٩ شوال / ١٤٢٢ هـ  
الموافق : ١٩ / ١٢ / ٢٠٠١ م

جمهورية العراق  
وزارة النفط  
شركة تسويق النفط (شركة عامة)


(لا تغرب إليك من بظانك تخفروا)  
الرئيس القائد (حفظه الله ورعاه)  
٢٠٠٠/٨/٨

السيد وزير النفط المحترم

م/ المصادقة على عقود النفط الخام

استنادا إلى كشف التخصيصات في ٢٠٠١/١٢/١٠ لنادم تفاصيل العقد الموقع مع شركة  
MIDDLE EAST ADVANCED SEMICONDUCTOR (السيد غلوي) / عوار: /

- ١- اسم الشركة : MIDDLE EAST ADVANCED SEMICONDUCTOR
  - ٢- رقم العقد : M/11/04
  - ٣- تاريخ العقد : ٢٠٠١/١٢/١٢
  - ٤- الجنسية : أردنية
  - ٥- الكمية : (٣) مليون (٢) مليون بصرة خفيف و ١ مليون كركوك
  - ٦- نوع النفط الخام : بصرة خفيف وكركوك
  - ٧- وجهة النفط الخام : أوروبا وأمريكا بالنسبة لنفط كركوك والشرق وأمريكا بالنسبة لنفط البصرة الخفيف
  - ٨- التسعيرة : أمريكا ، أوروبا ، الشرق
  - ٩- فترة التجهيز : لغاية ٢٠٠٢/٥/٢٩
  - ١٠- القيمة التقديرية : حوالي (٦٦) مليون يورو (على أساس ٢٠ دولار للبرميل الواحد) العقد باليورو
  - ١١- مبلغ الاسترجاع : حسب توجيه سيادتكم مائتاً يوم ٢٠٠١/١٢/١١ بعدم قبول ترشيحات للشركة ما لم يتم تسديد الدين المترتب عليها من المرحلة الثامنة
- يرجى التفصل بالإطلاع والمصادقة مع التدبير .

  
علي رجب حسين  
المدير التنفيذي وكالة

مصادقة السيد الوزير

Transaction Details for TRN: 4537000031fc      Region: US

**Instruction Date:** 1/31/2002

**Payment Date:** 1/31/2002

**Transaction Amount:** \$835,932.10

**Transaction Type:** CHC

**Customer Swift ID:** JONBJOAX

**Debit Fin Entity:** 01

**Credit Fin Entity:** 01

**Credit Reference:** C3154080CP013102

**Debit Reference:** [REDACTED]

**Sender's ID:**

**Bene Flag:**

**Order Party:** TAURUS PETROLEUM LTD

**Order Bank:** CREDIT SUISSE  
CASE POSTALE 2153  
GENEVA SWITZERLAND 1211

**Debit Party:** MBR/0103  
BANKERS TRUST COMPANY  
BANKERS TRUST PLAZA  
NEW YORK NY

**Bank to Bank Info:** /BNF/IN COVER OF OUR 01 31 02 MT-10  
N VALUE DATE 01 31 02 FEES DEDUCT  
ED \$20.50

**Credit Party:** [REDACTED]  
JORDAN NATIONAL BANK SA  
P O BOX 791  
AMMAN JORDAN

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #50**

Redacted by the  
Permanent Subcommittee  
on Investigations

**Transaction Details for TRN: 1059900042js      Region: US**

**Instruction Date:** 2/11/2002  
**Payment Date:** 2/13/2002  
**Transaction Amount:** \$20,000.00  
**Transaction Type:** BT  
**Customer Swift ID:** LOYDGB2L  
**Debit Fin Entity:** 01  
**Credit Fin Entity:** 01  
**Credit Reference:** SWF OF 02/02/11  
**Debit Reference:** TT1580QUN137/02  
**Sender's ID:** SWF/JONBJOAX  
**Bene Flag:**  
**Order Party:** FAWAZ ZURIEKAT  
**Debit Party:** [REDACTED]  
JORDAN NATIONAL BANK SA  
P O BOX 791  
AMMAN JORDAN  
**Bank to Bank Info:** /CHGS/USD12,00/  
**Credit Party:** [REDACTED]  
LLOYDS TSB BANK PLC  
POBOX 63 2,BRINDLEY PL  
BIRMINGHAM ENGLAND B1 2A-B  
**Account Party:** LLOYDS TSB BANK PLC.  
WESTMINSTER HOUSE BRANCH 4  
DEAN.STANLEY ST.,MILLBANK  
LONDON SW1P 3HU UK.  
**Bene:** [REDACTED]  
MARIAM APPEAL

**STATE OIL MARKETING ORGANIZATION  
CRUDE OIL SALES CONTRACT**

**NO. M /12/14**

Permanent Subcommittee on Investigations  
**Galloway Testimony Report**  
**EXHIBIT #52**

**ARTICLE TEN**

**ADDRESSES:**

In addition to the notices, declarations and other communications required under Article Fourteen, notices, approvals, declarations and Communications required above for the Overseers, on behalf of the 661 Committee, shall be effected at the addresses below:-

**FOR SELLER:**

STATE OIL MARKETING ORGANIZATION  
P.O. BOX 5118 BAGHDAD - IRAQ  
TELEX : 212198 - 212199 SOMO IK  
TELEPHONE: 964-1-7742040 - 10 Lines FAX: 964-1-8853925

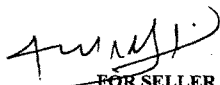
**FOR BUYER:**

MIDDLE EAST ADVANCED SEMICONDUCTOR, INC.  
P.O. BOX 7373 AMMAN (11118) JORDAN  
AMMAN, 24 ABU ERSHEID CENTRE /GARDENS ST.-TLAA AL- ALI  
TEL :9626 5533166/5532863/5522862  
FAX :9626 5533177  
E-MAIL : FAWAZ@ MEASI .COM•JO.

**FOR OVERSEERS**

UNITED NATIONS, NEW YORK, U.S.A.  
FAX : 212 - 963 - 1628

This Contract has been done and signed on the 3<sup>rd</sup> day of June , 2002 .



**FOR SELLER**  
**ALI R. HASSAN**  
ACTING EXECUTIVE DIRECTOR GENERAL



**FOR BUYER**  
**FAWAZ A. ZUREIKAT**  
PRESIDENT

Oil Marketing Company (State Company)

To: The Financial Department  
From: Crude Oil Marketing Second Department

No.: KH2/66  
Date: 06/04/2002

RE: Contract No. M/12/14 with Middle East ASI (Mr. Galloway)

On 06/03/2002, we signed a contract with the aforesaid company to supply it with quantity of crude oil as per the following terms:

Number of Contract: M/12/14  
Date: 06/03/2002  
Name of Company: Middle East Semiconductor  
Nationality: Jordanian  
Quantity & Quality: (3) million barrels (2 millions of Basrah and 1 million of Kirkuk)  
Destination of Oil: Europe and America for Kirkuk oil, and America and The East for Basrah light  
Pricing Formula: depending on destination  
Period of Supply: until 11/25/2002  
Approval of Overseers: we will inform you of the approval later on  
Other Terms: as per the general terms in force for the company's sales FOB Al-Bakr and Ceyhan terminals

Please be informed and act accordingly.



Ali Rajab Hassan  
Acting Executive Director

Cc:

Shipping & Quantities Department / please be informed and act accordingly

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #53

شركة تسويق النفط  
(شركة عامة)

إلى/ الدائرة المالية  
من/ دائرة تسويق الخام الثانية

الرقم: خ/٢  
التاريخ: ٢٠٠٢/٦/٤

م/ العقد المرقم M/12/14 مبيع شركة  
MIDDLE EAST ASI (السيد كالوي)

نم التعاقد بتاريخ ٢٠٠٢/٦/٣ مع الشركة أعلاه على تجهيزها بكمية من النفط الخام  
وذلك حسب الشروط التالية:-  
رقم العقد : M/12/14  
تاريخ العقد : ٢٠٠٢/٦/٣  
اسم المشتري : MIDDLE EAST ADVANCED SEMICONDUCTOR  
الجنسية : أردنية  
الكمية والنوعية : (٣) مليون برميل (٢ مليون بصرة + ١ مليون كركوك)  
وجهة النفط : أوروبا وأمريكا بالنسبة لنفط كركوك وأمريكا والشرق بالنسبة لنفط البصرة  
الخفيف  
التسعييرة : حسب وجهة الوصول  
فترة للتجهيز : لغاية ٢٠٠٢/١١/٢٥  
موافقة المشرفين : سنعلمكم بها لاحقاً  
الشروط الأخرى : كما في الشروط العامة المطبقة على مبيعات الشركة فوب مينائي البكر  
وجيهان.

للعلم والعمل بموجبه لطفاً...

علي رجب حسن  
المدير التنفيذي وكالة

نسخة منه إلى/ دائرة الشحن والكميات - للعلم والعمل بموجبه لطفاً

Stamp

Ministry of Oil/Office of the Minister  
 No.: 9825  
 Date: 06/04/2002

In the Name of God, Most Gracious, Most Merciful

Republic of Iraq  
 Ministry of Oil  
 State Oil Marketing Organization (State Company)

No.: KH2/6447  
 Date: 23 Rabi' I, 1423 H  
 Equivalent to 06/04/2002

To: H.E. the Oil Minister  
 RE: Approval on Exported Crude Oil Contracts

Based on the statement of allocations dated 05/22/2002, please find below the details of the contract signed with Middle East ASI Company (on behalf of Mr. George Galloway):

Name of Company: Middle East Advanced Semiconductor.  
 Number of Contract: M/12/14  
 Date of Contract: 06/03/2002  
 Nationality: Jordanian  
 Quantity: (3) million barrels  
 Type of Crude Oil: (2) million barrels of Basrah and (1) million barrels of Kirkuk  
 Period of Supply: until 11/25/2002  
 Destination of Crude Oil: Europe and America for Kirkuk, and America and The East for Basrah  
 light  
 Pricing Formula: depending on destination  
 Estimated Value of Contract in Euro: about (66) million euros (Based on the rate of \$20 per barrel)  
 Surcharge: payable within (30) days from the date of loading


For your review and approval, please.



Ali Rajab Hassan  
 Acting Executive Director

For the approval of the minister

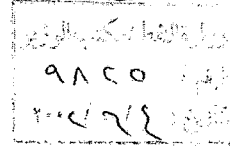
I approve



06/06

Permanent Subcommittee on Investigations  
 Galloway Testimony Report  
 EXHIBIT #54





بسم الله الرحمن الرحيم

الرقم : ٢٤٤٧ / ٢  
التاريخ : ٢٠٠٢ / ربيع الأول / ١٤٢٣ هـ  
الموافق : ٢٠٠٢ / حزيران / ٢٠ م

جمهورية العراق  
وزارة النفط  
شركة تسويق النفط (شركة عامه)

(لا تمثل كل ما أنت قادر على القيام به وإنما ما يد صيحجا  
ومشروعاً على أساس المبادئ التي تؤمن بها بعد الاكتمال على الله)  
الرئيس القائد (حفظه الله ورحمته)  
٢٠٠٢/٨/٨

السيد وزير النفط المحترم

م/ المصادقة على عقود النفط الخام المصدر

استناداً إلى كثيف التخصيصات في ٢٠٠٢/٥/٢٢ أذناه تفاصيل العقد الموقع مع شركة  
MIDDLE EAST ASI (لصالح السيد جورج كالوي) .

اسم الشركة : MIDDLE EAST ADVANCED SEMICONDUCTOR

رقم العقد : M/12/141

تاريخ العقد : ٢٠٠٢/٦/٣

الجنسية : أردنية

الكمية : (٣) مليون برميل

نوع النفط الخام : ٢ مليون بصرة + ١ مليون كركوك

فترة التجديد : لغاية ٢٠٠٢/١١/٢٥

وجهة النفط الخام : أمريكا وأوروبا بالنسبة لنفط كركوك وأمريكا والشرق بالنسبة لنفط  
البصرة الخفيف .

التسليم : حصة وجهه الوصول

القيمة التقديرية للعقد باليورو : حوالي (٦٦) مليون يورو (على أساس ٢٠ دولار للبرميل  
الواحد) .

مبلغ الاسفرجاج : يدفع خلال (٣٠) يوم بعد التحميل .

يرجى التفضل بالاطلاع والمصادقة . مع التقدير

علي رجب حسن  
المدير التنفيذي وكالة

مصادقة السيد الوزير

صالح

٢٢

٣٢

AK, HT, MT

# State Oil Marketing Organization

P.O. Box 5118 Baghdad - Iraq



Commercial Invoice No. : B/196/2002

Sold to : ASI MIDDLE EAST ADVANCED SEMI CONDUCTOR INC.  
Exporting port : MINA ALBAKR TERMINAL  
Ship Name : BERGE BORG  
Destination : ONE OR TWO SAFE BERTHS(PORT(S) U.S.  
Country of origin : IRAQ  
Due date : 17/12/2002  
Contract no. : M/12/14  
BNP Confirmation no : X737908  
Opening Bank L/C No. : LCIN1266541  
Shipment No. : BBL/3389 (1)

Description of commodity	Quantity		Price per Barrel FOB	Total value in EURO
	Metric Tons	U.S. Bbls		
IRAQ CRUDE OIL BASRAH LIGHT 30.35 API GRAVITY AT 60 F°	138,690.837	1,000,000	20.167	20,167,000.00

Total EURO : TWENTY MILLION ONE HUNDRED SIXTY SEVEN THOUSAND ONLY

Price Calculation: WTI SECOND MONTHLY \$ 54.0 BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE 16th DAY FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$ 0.18 API DE-ESCALATION

PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONALE DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
EURO SUB-ACCOUNT ACCOUNT NUMBER 0360-241752-002-56



B/L DATED 18/11/2002

ORIGINAL

Dec. 12 2002 12:41PM P5  
005

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #55

FROM : SOMO\*BAH-DAD\*\*\*\*\*  
12/12/2002 12:59 FAX 1 917 367

12/19/2002 10:53 FAX 1 917 367 2116



# State Oil Marketing Organization

P.O. Box 5118 Baghdad, Iraq

Commercial Invoice No.: B/20812012

801d40 [www.aei.org](http://www.aei.org) ASI MIDDLE EAST ADVANCED SEMI CONDUCTOR, INC.

## Exporting port

Ships Name **POLYTRADER**

Destination	: ONE OR TWO SAFE BERTH(S) PORT(S) EUROPE
ALGERIA	ONE
ANDORRA	TWO
ARMENIA	ONE
AUSTRIA	TWO
BELARUS	ONE
BELGIUM	TWO
BULGARIA	ONE
CANARY ISLANDS	TWO
CROATIA	ONE
CYPRUS	ONE
CZECH REPUBLIC	TWO
DENMARK	TWO
ESTONIA	ONE
FINLAND	ONE
FRANCE	TWO
GERMANY	TWO
GREECE	ONE
HUNGARY	ONE
ICELAND	ONE
IRELAND	ONE
ITALY	TWO
LITHUANIA	ONE
LUXEMBOURG	TWO
MONTENEGRO	ONE
NETHERLANDS	TWO
NORWAY	ONE
POLAND	ONE
PORTUGAL	ONE
ROMANIA	ONE
SLOVAKIA	ONE
SLOVENIA	ONE
SPAIN	TWO
SWEDEN	ONE
SWITZERLAND	TWO
TURKEY	ONE
UNITED KINGDOM	ONE
USA	ONE
YUGOSLAVIA	ONE

Country of origin : ..., IRAQ

ANE Confirmation of X738088

**THE UNIVERSITY OF CHICAGO**

Shipment No. : BBL/3396 (1)

Shipment No. : BBL/3396 (1)

Description of commodity	Quantity		Price per Barrel FOB	Total value in EURO
	Metric Tons	Long Tons		
IRAC CRUDE OIL				
BASRAH LIGHT	55,828.249	54,946.36	22,050	1,232,000.00
29.32 API GRAVITY AT 60 F °				1,232,000.00

**Total EURO EIGHT MILLION EIGHT HUNDRED TWENTY THOUSAND ONLY**

Price Calculation: DATED BRENT MINUS \$ .420 (BBL) AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE 15th DAY FROM THE BILL DATE, AS PUBLISHED IN PLATT'S CRUDE OIL MARKETWARE MINUS \$ 0.46, APIDE ESCALATION

PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONAL DE PARIS,  
S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT,  
EURO SUB-ACCOUNT ACCOUNT NUMBER 6201-201752-012-05

B/L DATED 25/11/2002

ORIGINAL



## Marketing Organization

**STATE OIL MARKETING ORGANIZATION  
CRUDE OIL SALES CONTRACT**

NO. M/13/48

9. This Contract shall be subject to SCR 986, SCR 1111, SCR 1143 SCR 1153, SCR 1210, SCR 1242, SCR 1281, SCR 1302, SCR 1330, SCR 1360, SCR 1382, SCR 1409, SCR 1447, the Procedures and the memorandum of Understanding between the Secretariat of the United Nations and the Government of Iraq on the implementation of SCR 986 (United Nations document S/1996/356, dated 20 May 1996).

All other terms and conditions as per the standard SOMO General Conditions of F.O.B. crude oil sales contract (Section Two).  
As per our contract No. M/12/16 Dated 3/6/2002.

#### ARTICLE TEN

##### ADDRESSES:

In addition to the notices, declarations and other communications required under Article Fourteen, notices, approvals, declarations and Communications required above for the Overseers, on behalf of the 661 Committee, shall be effected at the addresses below:-

##### FOR SELLER:

##### **STATE OIL MARKETING ORGANIZATION**

P.O. BOX 5118 BAGHDAD - IRAQ

TELEX : 212198 - 212199 SOMO IK

TELEPHONE: 964-1-7742040 - 10 Lines FAX : 964-1-8853925

##### FOR BUYER:

##### **MIDDLE EAST ADVANCED SEMICONDUCTOR, INC.**

P.O. BOX. 7373 AMMAN (11118) JORDAN

AMMAN, 24 ABU ERSHEID CENTRE / GARDENS ST. TALAA AL-ALI

TEL: 9626 5533166/5532863/5522862

FAX: 9626 5533177


E-MAIL: FAWAZ@MEASL.COM.JO

##### FOR OVERSEERS

UNITED NATIONS, NEW YORK, U.S.A.

FAX : 212 - 963 - 1628

This Contract has been done and signed on the 7<sup>TH</sup> day of January 2003.

  
**FOR SELLER** 21.1.2003  
RAFID A. JASSIM  
DIRECTOR GENERAL  
SOMO

  
**FOR BUYER**  
FAWAZ A. ZUREIKAT  
PRESIDENT

In the name of God, Most Gracious, Most Merciful

To: The Financial Department  
From: Crude Oil Marketing Second Department

No.: KH2/15  
Date: 01/25/2003

RE: Contract No. M/13/48 with Middle East ASI (Mr. Galloway)

On 01/07/2003, we signed a contract with the aforesaid company to supply it with quantity of crude oil as per the following terms:

Number of Contract: M/13/48

Date: 01/07/2003

Name of Company: Middle East Semiconductor, Inc.

Nationality: Jordanian

Quantity & Quality: (1) million barrels of Basrah light crude oil and (1) million barrels of Kirkuk

Destination of Crude Oil: America and the East for Basrah, and Europe and America for Kirkuk

Pricing Formula: depending on destination

Period of Supply: until 06/02/2003

Approval of the Overseers: we will inform you of the overseers' approval once we receive it

Address of the Company: as in the previous contract

Other Terms: as per the general terms in force for the company's sales FOB Al-Bakr terminal

Please be informed and act accordingly.



Ali Rajab Hassan  
Head of Oil Marketing Second Department



Rafid Abd-al-Halim Jassem  
General Director  
Chairman of Board of Directors

Cc:

Shipping & Quantities Department / please be informed and act accordingly

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #58

بسم الله الرحمن الرحيم

الرقم : خ ١٢ / ٥  
التاريخ : ٢٠٠٣/١/٢٦

إلى / الدائرة المالية  
من / دائرة تسويق الخام الثانية

م/ العقد المرقم M/13/48 الموقع مع شركة  
MIDDLE EAST ASI (المسيد كلوي)

تم التعاقد بتاريخ ٢٠٠٣/١/٧ مع الشركة أعلاه على تجهيزها بكمية من النفط الخام وذلك  
حسب الشروط التالية:-

- رقم العقد : M/13/48
- التاريخ : ٢٠٠٣/١/٧
- اسم الشركة : MIDDLE EAST ADVANCED SEMICONDUCTOR, INC.
- الجنسية : أردنية
- الكمية والتنوعية : (١) مليون برميل نفط خام بصرة خفيف + (١) مليون برميل كركوك
- وجهة النفط : أمريكا والشرق بالنسبة لنفط البصرة ولأوروبا وأمريكا بالنسبة لنفط كركوك
- التسوية : حسب وجهة الوصول
- فترة التجهيز : لغاية ٢٠٠٣/١/٢
- موافقة المشتريين : سيعلنكم بموافقة المشتريين حال ورودها إلينا
- عنوان الشركة : كما في العقد السابق
- الشروط الأخرى : كما في الشروط العامة المطبقة على مبيعات الشركة فوب ميناء البكر
- للعلم والعمل بموجبها لطفاً .

رائد عبد الحكيم حليم  
المدير العام  
رئيس مجلس الإدارة

علي رجب حسن  
رئيس دائرة تسويق الخام الثانية

نسخة منه إلى -/  
دائرة الشحن والكميات / للعلم والعمل بموجبها لطفاً

\*\*\*\*\* AUTOFT MESSAGE \*\*\*\*\*

INCOMING MESSAGE  
DCN: 0010587407 27 FEB.2001

C-1

RECEIVER: AMST BASE NO: 400047 REC.TIME: 28-183317  
SENDER: LONXP PRIORITY: 02  
SEND.NAME: CITIBANK N.A.LONDON MESS.TYPE: 100  
PLACE: LONDON WC2R 1HB-ENGLAND SEND.TRN: TR170064144C0000  
TEST RESULT: NR OUTP.REE: AMR1672  
CY: USD  
USER CODE: FT9/2173 DEL.STATUS: FT DEL.TIME: 28-192900

\* TRAILER: MESSAGE TAKEN UP FOR AUTOFT PROCESSING

AMR1672 AFL4929  
AMST  
LONXPB 281629 281629  
TEST NR  
1549 28CITIJOAXCXX66550  
1649 28UEBGGHGA0056494  
100 02  
:20:TR170064144C0000  
:32A:010228USD50000,  
:50:UNITED EUROPEAN BANK  
:54A:BNPAUS3XXX  
:54A:CITUS33XXX  
:57D:CITIBANK MAIN BRANCH  
AMMAN JORDAN  
:70:SERVICE FEES  
:71A:BEN  
MAC/  
CHK/  
SAC  
=02281629 LM G150689  
\*\*\* UNTESTED/OUTBOUND/RESULT NOT KNOWN \*\*\*

28.FEB 01 TIME 19:47:39 PAGE 001 LAST PAGE

OFF - 000030

STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION /  
SUBCOMMITTEE MEMBERS AND STAFF ONLY

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #59

Redacted by the  
Permanent Subcommittee  
on Investigations



22. [REDACTED] on 11.8.01 ✓

AMM0000  
 NYEAP  
 .AMM0000  
 TEST XXXXXXXX AMT 40000  
 TESTED WITH CB LONDON  
 1900 11CITIU833AXXX00000  
 1900 11CITIU833AXXX00000  
 103 02  
 :20:3010703111  
 :23B:CREO  
 :32A:010312USD40000,  
 :50:MR. FAWAZ ABDALLAH ZUREIKAT  
 P.O.BOX 7373  
 AMMAN, JORDAN  
 : [REDACTED]  
 CITIBANK N.A. AMMAN  
 : [REDACTED]  
 LLOYDS TSB BANK PLC  
 :57D:LLOYDS TSB BANK PLC  
 WESTMINSTER HOUSE BRANCH 4 DEAN  
 STANLEY STREET, MILLBANK, LONDON SW1P  
 3RU UK  
 : [REDACTED]  
 THE MARIAM APPEAL  
 :70:DONATION  
 :71A:SHA  
 -  
 =03111900CITIBANK N.A. AMMAN \*\* END OF MESSAGE \*\*

B-8

OFF - 000027  
 STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION /  
 SUBCOMMITTEE MEMBERS AND STAFF ONLY

Permanent Subcommittee on Investigations  
 Galloway Testimony Report  
 EXHIBIT #60

Redacted by the  
 Permanent Subcommittee  
 on Investigations

**Transaction Details for TRN: 2736000162js      Region: US**

**Instruction Date:** 6/11/2002

**Payment Date:** 6/13/2002

**Transaction Amount:** \$20,000.00

**Transaction Type:** BT

**Customer Swift ID:** LOYDGB2L

**Debit Fin Entity:** 01

**Credit Fin Entity:** 01

**Credit Reference:** SWF OF 02/06/11

**Debit Reference:** [REDACTED]

**Sender's ID:** SWF/JONBJOAX

**Bene Flag:**

**Order Party:** FAWAZ ZURIEKAT

**Debit Party:** [REDACTED]  
JORDAN NATIONAL BANK SA  
P O BOX 791  
AMMAN JORDAN

**Bank to Bank Info:** /CHGS/USD12,00/

**Credit Party:** [REDACTED]  
LLOYDS TSB BANK PLC  
POBOX 63 2,BRINDLEY PL  
BIRMINGHAM ENGLAND B1 2A-B

**Account Party:** LLOYDS TSB BANK PLC.  
WESTMINSTER HOUSE BRANCH 4 DEAN  
STANLEY ST.MILLBANK LONDON SW1P 3HU  
SORT CODE 30-99-50

**Bene:** [REDACTED]  
MARIAM APPEAL

**Transaction Details for TRN: 1717700196fs      Region: US**

**Instruction Date:** 7/15/2002  
**Payment Date:** 7/17/2002  
**Transaction Amount:** \$10,000.00  
**Transaction Type:** BT  
**Customer Swift ID:** LOYDGB2L  
**Debit Fin Entity:** 01  
**Credit Fin Entity:** 01  
**Credit Reference:** SWF OF 02/07/15  
**Debit Reference:** [REDACTED]  
**Sender's ID:** SWF/JONBJOAX  
**Bene Flag:**  
**Order Party:** FAWAZ ZURIEKAT  
**Debit Party:** [REDACTED]  
JORDAN NATIONAL BANK SA  
P O BOX 791  
AMMAN JORDAN  
**Bank to Bank Info:** /CHGS/USD27,50/  
**Credit Party:** [REDACTED]  
LLOYDS TSB BANK PLC  
POBOX 63 2,BRINDLEY PL  
BIRMINGHAM ENGLAND B1 2A-B  
**Account Party:** LLOYDS BANK PLC.  
LONDON UNITED KINGDOM  
**Bene:** [REDACTED]  
MARIAM APPEAL

**Transaction Details for TRN: 8098200218js      Region: US**

**Instruction Date:** 8/6/2002

**Payment Date:** 8/8/2002

**Transaction Amount:** \$20,000.00

**Transaction Type:** BT

**Customer Swift ID:** LOYDGB2L

**Debit Fin Entity:** 01

**Credit Fin Entity:** 01

**Credit Reference:** SWF OF 02/08/06

**Debit Reference:** [REDACTED]

**Sender's ID:** SWF/JONBJOAX

**Bene Flag:**

**Order Party:** FAWAZ ZURIEKAT

**Debit Party:** [REDACTED]  
JORDAN NATIONAL BANK SA  
P O BOX 791  
AMMAN JORDAN

**Bank to Bank Info:** /CHGS/USD27,50/

**Credit Party:** [REDACTED]  
LLOYDS TSB BANK PLC  
POBOX 63 2,BRINDLEY PL  
BIRMINGHAM ENGLAND B1 2A-B

**Account Party:** LLOYDS TSB BANK PLC.  
WESTMINSTER HOUSE BRANCH  
4 DEAN STANLEY STREET,MILLBANK  
LONDON SW1P 3HU UK.SORT CODE:309950

**Bene:** [REDACTED]  
MARIAM APPEAL

Redacted by the  
Permanent Subcommittee  
on Investigations

**Transaction Details for TRN: 7985700237fs      Region: US**

**Instruction Date:** 8/25/2002

**Payment Date:** 8/26/2002

**Transaction Amount:** \$100,000.00

**Transaction Type:** BT

**Customer Swift ID:** LOYDGB2L

**Debit Fin Entity:** 01

**Credit Fin Entity:** 01

**Credit Reference:** SWF OF 02/08/25

**Debit Reference:** [REDACTED]

**Sender's ID:** SWF/JONBJOAX

**Bene Flag:**

**Order Party:** FAWAZ ZURIEKAT

**Debit Party:** [REDACTED]  
JORDAN NATIONAL BANK SA  
P O BOX 791  
AMMAN JORDAN

**Details of Payment:** DONATION

**Bank to Bank Info:** /CHGS/USD27,50/

**Credit Party:** [REDACTED]  
LLOYDS TSB BANK PLC  
POBOX 63 2,BRINDLEY PL  
BIRMINGHAM ENGLAND B1 2A-B

**Account Party:** LLOYDS TSB BANK PLC.  
WESTMINSTER HOUSE BRANCH 4  
DEAN STANLEY STREET,MILLBANK  
LONDON SW1P 3HU UK.

**Bene:** [REDACTED]  
MARIAM APPEAL

Redacted by the  
Permanent Subcommittee  
on Investigations

DATE: 10/11/2004  
 TIME: 10:00 AM



مراجعة تسويق النفط  
 كشف بالمبالغ المسترجعة لحقود مذكورة التفاضل حسب المرحله  
 الفترة من

المرحلة	المشتري	رقم الحصة	القيمة / يوميل	مبلغ الاسترجاع دولار يوميل	المبلغ المستحق دولار	المبلغ المسدود دولار	المبلغ المتبقى للشركة دولار	صعولان
9	ALCON-FENAR	M/09/01	23,039,984	0.28	6,483,722.00	6,483,722.00	0.00	
9	ALCON-FENAR	M/09/04	22,633,183	0.28	6,236,219.90	6,236,219.90	0.00	
9	ALCON-FENAR	M/09/35	4,868,682	0.25	1,217,170.50	1,217,170.50	0.00	
9	AREDIO	M/09/23	1,014,403	0.30	304,320.90	304,320.90	0.00	
9	ATIN OIL	M/09/42	1,740,137	0.25	435,034.25	435,034.25	0.00	
9	AWAD AMMORA	M/09/13	1,962,493	0.25	490,623.25	490,623.25	0.00	
9	B.B. ENERGY	M/09/38	2,020,873	0.27	555,218.25	555,218.25	500.00	
9	B.C. INTERNATIONAL (PVT )	M/09/91	1,914,971	0.25	478,742.75	478,742.75	0.00	
9	BELMET	M/08/41	1,863,000	0.30	558,900.00	558,900.00	0.00	
9	BELMET	M/09/08	4,851,657	0.30	1,455,497.10	1,455,463.80	1,455,463.80	
9	BELPHARM	M/09/34	1,982,013	0.27	544,627.55	545,046.50	0.00	
9	BULA RESOURCES	M/09/95	1,030,402	0.25	257,600.50	251,961.00	0.00	
9	BULF DRETLING AND OIL SERVIC	M/09/55	1,001,245	0.25	250,311.25	250,311.25	0.00	
9	CARTECH	M/08/100	500,000	0.30	150,000.00	150,000.00	0.00	
9	CHAIYAPORN	M/09/100	1,977,670	0.30	593,301.00	593,301.00	0.00	
9	CHINA OIL	M/08/13	910,340	0.25	227,585.00	227,358.00	0.00	
9	COGEP	M/09/65	1,002,382	0.25	250,595.50	250,580.50	0.00	
9	DELTA PETROLEUM	M/09/17	4,008,094	0.27	1,100,051.55	1,099,862.50	0.00	
9	DELTA SERVICES	M/09/71	2,057,639	0.25	514,409.75	50,000.00	0.00	
9	E.O.T.C	M/09/39	3,970,520	0.25	992,630.00	992,630.00	0.00	
9	ENERGY RESOURCES	M/09/87	1,928,233	0.30	578,469.90	578,470.00	0.00	
9	ERDEM HOLDING	M/09/02	4,002,725	0.30	1,200,817.50	1,200,810.00	0.00	

إعداد الإدارة العامة - المصالحات التجارية

صفحة 1 من 2

Permanent Subcommittee on Investigations  
 Galloway Testimony Report  
 EXHIBIT #62

COLLECTIONS  
مجموعات

ACCOUNT NO	PORT	BANK NO	BANK DATE	INNO	PAYMENT	COMMERCIAL PRICE	CORNER	VALUE_IN	SILVER
27511			4/25/2001	Commissions	60000	US \$	60000	18905.03769	MIDDLE EAST ADVANCED SEM CONDUCTOR
50526			7/14/2001	Commissions	187183	US \$	187183	58042.44835	MIDDLE EAST ADVANCED SEM CONDUCTOR
85249			11/12/2001	Commissions	168.5	US \$	168.5	52.5953146	MIDDLE EAST ADVANCED SEM CONDUCTOR
85249			11/12/2001	Commissions	250522.25	US \$	250522.25	77483.58171	MIDDLE EAST ADVANCED SEM CONDUCTOR
911189			12/4/2001	Commissions	575390	US \$	575390	178391.305	MIDDLE EAST ADVANCED SEM CONDUCTOR
51588			5/30/2002	Commissions	250500	US \$	250500	77525.58605	MIDDLE EAST ADVANCED SEM CONDUCTOR
8/2001/1/04	BAKISTAN		5/30/2002	Commissions	2005097.4	Euros	2284828.12	684155.87	MIDDLE EAST ADVANCED SEM CONDUCTOR
8/2001/1/18	BAKISTAN		6/2/2002	Commissions	28877705.58	Euros	24012048.05	760076.46	MIDDLE EAST ADVANCED SEM CONDUCTOR
8/2001/2/28	BAKISTAN		10/6/2002	Commissions	3714658.12	Euros	3586666.4	976649.753	MIDDLE EAST ADVANCED SEM CONDUCTOR
8/2001/2/24	CEYHAN-TURKEY		5/20/2002	Commissions	28127014.38	Euros	25868472.2	741363.771	MIDDLE EAST ADVANCED SEM CONDUCTOR
8/2002/2/06	CEYHAN-TURKEY		10/6/2002	Commissions	20456663.97	Euros	17425644.48	538666.84	MIDDLE EAST ADVANCED SEM CONDUCTOR

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #63

Redacted by the  
Permanent Subcommittee  
on Investigations

Approved	PERCENT	CONT. NO	PD	NOTES	no	l	TYPE	startdate	new	PAYMENT AND	PROD. TYPE	base	can b	c
Approved MIDDLE EAST ADVANCED SEMI CONDUCTOR مركز الشرق الأوسط لمنتجات أشباه الموصلات (Semi-conductor Co)	"the return"	M009118	9		0.1	2		11/02/2002	11/02					
	"the return"	M009118	9		0.1	2		11/03/2002	11/03					
	"the return"	M009118	9		0.1	2		11/10/2002	11/10					
	"the return"	M010038	10		0.1	2		11/11/2002	11/11					
	"the return"	M010038	10		0.1	2		11/12/2002	11/12					
	"the return"	M011010	11		0.1	2		12/01/2003	12/01					
Approved MIDDLE EAST ADVANCED SEMI CONDUCTOR مركز الشرق الأوسط لمنتجات أشباه الموصلات (Semi-conductor Co)	"the return"	M009118	9	توافق الترددات مع الترددات المسموح بها (80 MHz) و (100 MHz) و (120 MHz) و (140 MHz) و (160 MHz) و (180 MHz) و (200 MHz) و (220 MHz) و (240 MHz) و (260 MHz) و (280 MHz) و (300 MHz) و (320 MHz) و (340 MHz) و (360 MHz) و (380 MHz) و (400 MHz) و (420 MHz) و (440 MHz) و (460 MHz) و (480 MHz) و (500 MHz) و (520 MHz) و (540 MHz) و (560 MHz) و (580 MHz) و (600 MHz) و (620 MHz) و (640 MHz) و (660 MHz) و (680 MHz) و (700 MHz) و (720 MHz) و (740 MHz) و (760 MHz) و (780 MHz) و (800 MHz) و (820 MHz) و (840 MHz) و (860 MHz) و (880 MHz) و (900 MHz) و (920 MHz) و (940 MHz) و (960 MHz) و (980 MHz) و (1000 MHz) و (1020 MHz) و (1040 MHz) و (1060 MHz) و (1080 MHz) و (1100 MHz) و (1120 MHz) و (1140 MHz) و (1160 MHz) و (1180 MHz) و (1200 MHz) و (1220 MHz) و (1240 MHz) و (1260 MHz) و (1280 MHz) و (1300 MHz) و (1320 MHz) و (1340 MHz) و (1360 MHz) و (1380 MHz) و (1400 MHz) و (1420 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(22060 MHz) و (22080 MHz) و (22100 MHz) و (22120 MHz) و (22140 MHz) و (22160 MHz) و (22180 MHz) و (22200 MHz) و (22220 MHz) و (22240 MHz) و (22260 MHz) و (22280 MHz) و (22300 MHz) و (22320 MHz) و (22340 MHz) و (22360 MHz) و (22380 MHz) و (22400 MHz) و (22420 MHz) و (22440 MHz) و (22460 MHz) و (22480 MHz) و (22500 MHz) و (22520 MHz) و (22540 MHz) و (22560 MHz) و (22580 MHz) و (22600 MHz) و (22620 MHz) و (22640 MHz) و (22660 MHz) و (22680 MHz) و (22700 MHz) و (22720 MHz) و (22740 MHz) و (22760 MHz) و (22780 MHz) و (22800 MHz) و (22820 MHz) و (22840 MHz) و (22860 MHz) و (22880 MHz) و (22900 MHz) و (22920 MHz) و (22940 MHz) و (22960 MHz) و (22980 MHz) و (23000 MHz) و (23020 MHz) و (23040 MHz) و (23060 MHz) و (23080 MHz) و (23100 MHz) و (23120 MHz) و (23140 MHz) و (23160 MHz) و (23180 MHz) و (23200 MHz) و (23220 MHz) و (23240 MHz) و (23260 MHz) و (23280 MHz) و (23300 MHz) و (23320 MHz) و (23340 MHz) و (23360 MHz) و (23380 MHz) و (23400 MHz) و (23420 MHz) و (23440 MHz) و (23460 MHz) و (23480 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MHz) و (26360 MHz) و (26380 MHz) و (26400 MHz) و (26420 MHz) و (26440 MHz) و (26460 MHz) و (26480 MHz) و (26500 MHz) و (26520 MHz) و (26540 MHz) و (26560 MHz) و (26580 MHz) و (26600 MHz) و (26620 MHz) و (26640 MHz) و (26660 MHz) و (26680 MHz) و (26700 MHz) و (26720 MHz) و (26740 MHz) و (26760 MHz) و (26780 MHz) و (26800 MHz) و (26820 MHz) و (26840 MHz) و (26860 MHz) و (26880 MHz) و (26900 MHz) و (26920 MHz) و (26940 MHz) و (26960 MHz) و (26980 MHz) و (27000 MHz) و (270										



Stamp  
Ministry of Oil/Office of the Minister  
No.: 6262  
Date: 05/08/2001

In the Name of God, Most Gracious, Most Merciful

Republic of Iraq  
Ministry of Oil  
State Oil Marketing Organization (State Company)

No.: KH2/7144  
Date: 15 Safar, 1422 H  
Equivalent to 05/08/2001

To: H.E. the Oil Minister  
RE: Approval on Exported Crude Oil Contracts

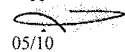
With reference to the approval of your Excellency dated 05/03/2001, please find below the details of the contract signed with Middle East Advanced Semiconductor Company (Mr. Fawaz Zureikat):

- 1- Number of Contract: M/09/118
  - 2- Date of Contract: 05/03/2001
  - 3- Name of Company Buyer: Middle East Advanced Semiconductor, Inc.
  - 4- Nationality: Jordanian
  - 5- Quantity: (2) million barrels
  - 6- Type of Crude Oil: Basrah light
  - 7- Destination of Crude Oil: The Far East and / or the United States
  - 8- Pricing Formula: the rate of the Far East and / or the United States and depending on destination
  - 9- Period of Supply: from 06/01/2001 until 07/31/2001
  - 10- Estimated Value of Contract in Euro: about (45) million euros (Based on the rate of \$20 per barrel)
  - 11- Surcharge: the company made a down payment of 10% of (60) thousand dollars representing the surcharge amount; the remaining sum (90% of it) will be paid within 30 days after loading. (The settlement of the sum that Mr. Fawaz Zureikat owes for the contract of Aredio Company, totaling \$264,505 that is related to the 10 cents, has been postponed as per the verbal instructions of your Excellency).
- For your review and approval, please.

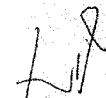


Saddam Zeben Hassan  
Executive Director

For the approval of the minister  
I approve

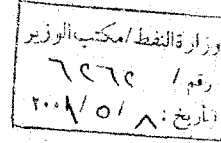


05/10



05/10

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #64



بسم الله الرحمن الرحيم

الرقم: ٧١٤٤ / ٢٤

التاريخ: ١٥ / صفر / ١٤٢٢ هـ

الموافق: ٨ / ٥ / ٢٠٠١ م

جمهورية العراق  
وزارة النفط  
شركة تسويق النفط (شركة عامة)

(احذر من نفسك قبل عسودك  
وانتبه الى مديقتك قبل خضك)  
الرئيس القائد (حفظه الله ورعاه)  
٢٠٠٠/٨/٨

السيد وزير النفط المحترم

م / المصادقة على عقود النفط الخام المصدرة

أشارة الى موافقة سيادتكم بتاريخ ٢٠٠١/٥/٢٢ أذنته تفصيل العقد الموقع مع مؤسسة الشرق الأوسط لآشياء البوملات المتطورة (السيد نواز زريقات).

- ١- رقم العقد : M/209/118
- ٢- تاريخ العقد : ٢٠٠١/٥/٢٢
- ٣- اسم الشركة المشتري : MIDDLE EAST ADVANCED SEMICONDUCTOR, INC.
- ٤- الجنسية : أردنية
- ٥- الكمية : (٢) مليون بونيل
- ٦- نوع النفط الخام : بصرة طفيف
- ٧- وجهة النفط الخام : الشرق الاقصى و / أو الولايات المتحدة
- ٨- التسمية : سميرة الشرق الاقصى و / أو الولايات المتحدة و تحت التسمية
- ٩- فترة التسليم : من ٢٠٠١/٢/١ لغاية ٢٠٠١/٧/٢١
- ١٠- الكمية التقديرية : حوالي (٤٥) مليون بونيل (على اساس ٢٠ بونيل للتسليم الواحد)
- ١١- مبلغ الاسترجاع : بلغت الشركة مقدما ٢٠ % من مبلغ الاسترجاع (٦٠) ألف دولار ويتم دفع المتبقى (٤٠) % منه على ٢٠ دفعة بعد التسليم (وقد تم تسهيل دفع المبلغ المتبقى بتمسك السيد نواز زريقات على عقد شركة آر.بي.سي. والمبالغ (٢٦٤) ألف دولار والخامسة بال ١٠ سنت حسب توجيه سيادتكم المثلوي).

يومن التلغيل بالإطلاع والمصادقة مع التقدير

مداوم حسن  
المدير التنفيذي

سورة  
٥٢٤

مصادقة السيد الوزير



شركة تسويق النفط

كثف بالمبالغ المسترجعة لعمود مذكورة التفاضل حسب المرحلة  
للتقريب من

المرحلة	رقم العقد	التاريخ	مبلغ الاسترجاع دولار امريكى	مبلغ المستحق دولار امريكى	مبلغ السداد دولار امريكى	مبلغ الشيك دولار امريكى	صعولان
9	FADI OIL INTRNATIONAL	M/09/85	1,967,055	491,763.75	491,763.75	0.00	
9	FAL OIL	M/09/51	4,043,821	1,213,146.30	1,213,146.30	0.00	
9	GLENCORE	M/09/44	12,106,613	3,222,780.70	3,222,780.70	0.00	
9	IBEX	M/09/81	2,375,594	683,817.75	683,817.75	0.00	
9	INCOME PETROLEUM	M/09/73	1,965,612	491,403.00	491,403.00	0.00	
9	IOC	M/08/39	2,010,079	502,519.75	502,519.75	0.00	
9	IPLOM	M/09/48	998,753	249,688.25	249,688.25	0.00	
9	ITALTECH	M/08/120	5,000,000	1,500,000.00	1,500,000.00	0.00	
9	ITALTECH	M/09/07	32,389,835	9,305,226.70	9,305,226.70	6,153,143.60	
9	JAWALA	M/09/46	2,051,590	615,477.00	615,477.00	660,000.00	
9	JEWAN OIL	M/09/72	4,069,646	1,220,893.80	1,220,893.80	1,220,833.70	
9	LUBNA	M/09/105	1,000,000	300,000.00	300,000.00	300,000.00	
9	MACHINIMPORT	M/09/22	2,997,319	849,080.80	849,080.80	849,080.80	
9	MARBEL RESOURCES	M/09/76	3,538,143	1,061,442.90	1,061,442.90	1,061,442.90	
9	MASEFIELD	M/09/54	1,935,892	498,973.00	498,973.00	498,518.00	
9	MASTEK	M/08/60	1,786,267	535,880.10	535,880.10	0.00	
9	MASTEK	M/09/18	36,469,888	10,380,361.39	10,380,361.39	9,803,960.13	
9	MEDEA CONSULTING	M/09/36	2,010,583	502,645.75	502,645.75	302,221.00	
9	MIDDLE EAST ADVANCED SEMI CONDUCTOR	M/09/118	990,610	247,652.50	247,652.50	247,352.50	
9	MOACO	M/09/45	2,015,126	604,537.80	604,537.80	449,995.00	
9	MOCOH	M/09/40	1,917,957	479,489.25	479,489.25	480,067.56	
9	MONTEGA	M/09/06	1,858,530	464,632.50	464,632.50	0.00	
9	NAFTA PETROLEUM	M/09/28	8,023,472	2,407,041.60	2,407,041.60	2,407,041.60	

مبلغ من ٢

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #65



شركة تسويق النفط  
كشف بالمبالغ المسترجعة لمقروءة مذكرة التفاهم - حصر المرحلات  
للتقوية من

المرجحة	المشتري	رقم العقد	التعبئة / برميل	مبلغ الاسترجاع دولار أمريكي	المبلغ المستحق / دولار	المبلغ المسدود / دولار	المبلغ المتبقى / دولار	عمولات
10	HEU LTD	M/09/111	4,988,774	0.30	1,496,632.20	1,499,979.00	-3,346.80	
10	IBEX	M/10/08	3,009,650	0.28	841,782.85	838,548.69	3,234.16	
10	INCOME PETROLEUM	M/09/116	3,927,810	0.27	1,075,926.50	1,075,775.00	151.50	
10	INCOME PETROLEUM	M/10/76	2,000,057	0.28	551,955.95	551,955.95	0.00	
10	INCOMED TRADING	M/10/26	3,002,269	0.27	800,821.00	800,822.00	-1.00	
10	IPS	M/10/70	2,001,593	0.25	500,398.25	499,003.09	1,395.16	
10	JALOUL INVESTMENT	M/10/35	950,000	0.25	237,500.00	237,500.00	0.00	
10	JORDAN GRAIN	M/09/115	4,026,905	0.30	1,208,071.50	1,208,074.00	-2.50	
10	KAMPAC OIL	M/09/80	2,002,354	0.27	550,588.50	299,968.00	250,620.50	
10	KENTFORD	M/09/56	2,005,451	0.30	601,635.30	0.00	601,635.30	
10	LADA-OMC	M/09/49	1,983,299	0.30	594,989.70	0.00	594,989.70	
10	LUBNA	M/09/105	1,002,739	0.25	250,684.75	250,685.00	-0.25	
10	LUBNA	M/10/43	1,006,073	0.25	251,518.25	251,518.00	0.25	
10	LUKOIL	M/10/67	3,741,829	0.30	1,122,548.70	1,122,671.00	-122.30	
10	MACHINOIMPORT	M/10/11	5,088,147	0.28	1,426,320.40	1,426,265.80	54.60	
10	MACHINOIMPORT	M/10/19	4,070,248	0.30	1,221,074.40	1,221,074.40	0.00	
10	MARBEL RESOURCES	M/10/16	5,469,675	0.27	1,450,167.10	1,439,656.10	10,511.00	
10	MASEFIELD	M/10/57	1,000,896	0.25	250,224.00	250,022.00	202.00	
10	MEDCO	M/10/72	1,904,781	0.30	571,434.30	571,434.30	0.00	
10	MIDDLE EAST ADVANCED SEMI CONDUCTOR	M/10/38	2,920,295	0.28	825,950.15	825,822.25	127.90	
10	NAFTA PETROLEUM	M/10/13	8,085,396	0.30	2,425,618.80	2,425,618.80	0.00	
10	NAFTO GAZ	M/10/41	2,004,217	0.30	601,265.10	601,266.36	-1.26	

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #66

[illegible]

Page 1

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on Investigations

**BSPA-015-0001**  
**CONFIDENTIAL**

**Permanent Subcommittee on Investigations**  
**Galloway Testimony Report**  
**EXHIBIT #67**

--END OF RAW DATA

[illegible]

**BSPA-015-0002**  
**CONFIDENTIAL**

Payment for USD264,000 dated 12/18/2001:

**Incoming Chips:**

**Research File Details**

File

CHIPS Inbound

Tran Ref: 011218004883 Amount: 264,000.00

SSN: 0073699

DBT/CDT ID: P/0768/

Word wrap

Message Text

**CHIPS 31 - RECEIVE NOTIFICATION**

[031] Receive Data:

Format version: 02 Value date: 2001/12/18

Line number: 01 Time sent: 06:31:43

Send participant: 0768

Duplicate flag: 1 (Original)

SSN: 0073699 ISN: 001457 OSN: 001527

[221] Delivery Data:

Receive participant: 0159

Beneficiary type: B (Bank)

[260] Amount: \$264000.00

[270] PSN: 001457

[320] SWIFT field 20: PAYA13522C011892

[321] SWIFT field 21: [REDACTED]

**CHIPS Details**

**CHIPS 31 - RECEIVE NOTIFICATION**

[031] Receive Data:

Format version: 02 Value date: 2001/12/18

Line number: 01 Time sent: 06:31:43

Send participant: 0768

Duplicate flag: 1 (Original)

SSN: 0073699 ISN: 001457 OSN: 001527

[221] Delivery Data:

Receive participant: 0159

Beneficiary type: B (Bank)

[260] Amount: \$264000.00

[270] PSN: 001457

[320] SWIFT field 20: PAYA13522C011892

[321] SWIFT field 21: [REDACTED]

[420] Beneficiary: C016273 (CHIPS lookup key)

[427] Beneficiary: C016273 (CHIPS supplied)

[REDACTED]

BJONBJOAX

JORDAN NATIONAL BANK PLC

P O BOX 791

AMMAN, JORDAN

[502] Originator: [REDACTED] USD00180 (No CHIPS lookup)

BNP PARIBAS (SUISSE) SA

FORMERLY UNITED EUROPEAN BANK

Redacted by the  
Permanent Subcommittee  
on Investigations

390

11 QUAI DES BERGUES P.O. BOX 900  
GENEVA CH-1221 SWITZERLAND



Copy of Payment dated 11/12/2001:

* TRAIL - [Transaction Detail]			
File Options Window Help			
BNK: USN    SCD DATE: 011218		VAL: 011218	TRN: 011218-004883
AMT: \$264,000.00		CUR: USD	FOR AMT: 264,000.00
SRC: CHP    ADV: LTR    TYP: FTR		LOC:	CHECK NUM:
DBT: P/0768		CDT: [REDACTED]	ON FILE: Y
ACC: [REDACTED]		ACC: [REDACTED]	CTRY: JO
DEPT: 727		DEPT:	
BANQUE NATIONAL DE PARIS NEW YORK		JORDAN NATIONAL BANKAMMAN	
NEW YORK, NEW YORK		P.O. BOX 791	
N.Y.		AMMAN, JORDAN	
		ATT: MR. JABRA GHANDOUR	
SEND:		BNF:	BK: Y
SNDR REF NUM: PAYA13522C011892			
ORIG: [REDACTED] USD00180			
BNP PARIBAS (SUISSE) SA			
FORMERLY UNITED EUROPEAN BANK			
11 QUAI DES BERGUES P.O. BOX 900			
GENEVA CH-1221 SWITZERLAND			
REF NUM: TR170039552C0000			

Record 2 of 4    < >    More Records    > >    Print    Memo    Close

**Payment History:**

USN is the owning bank. Priority: Delivery ACK:

REF\_INDEX REF #: 011218004883 18-DEC-2001 06:31:41.74  
 CHIPSIN1 SEQ #: 1530 18-DEC-2001 06:31:41.74  
 CHIPSIN SEQ #: 1527 18-DEC-2001 06:31:41.74  
 CHIPSRCV AMT: 264000.00 ORIG OSN: 1527 PAR: 0768  
 SSN: 73699 PSN: 1457 VERSION: 0  
 CHIPSOSN PSN: 1457 AMT: 264000.00  
 CHIPS\_IN AMT: 264000.00 TIME: 18-DEC-2001 06:31:41.74  
 CHIPSSSN SEQ #: 73699 18-DEC-2001 06:31:41.74  
 Memo: CHIPS TIME: 063143  
 CHIPSINQ DEQ TEXT:  
 \*CHIPS NEX DBT AMOUNT: 264000.00  
 SENDREFNDX KEY: PAYA13522C011892  
 CHIPSTRT AMT: 264000.00 TIME: 18-DEC-2001 06:31:42.82  
 \*SYS\_MEMO Message checked by STOP filter - NO MATCH.  
 \*SYS\_MEMO Message checked by STOP filter - 18-DEC-2001 06:31:

42.92

\*CHP\_INQ\_DBT INQ\_DBT AMOUNT: 264000.00  
 \*DDA\_INQ\_CDT INQ\_CDT AMOUNT: 264000.00  
 PAYADVQ DEQ TEXT: [REDACTED] AMOUNT: 264000.00  
 PAYADV\_LOG OPRID: \$\$\$PAY TIME: 18-DEC-2001 06:31:43.12  
 \*CHIPS\_GL SAM\_DBT AMOUNT: 264000.00  
 \*DDA SAM\_CDT AMOUNT: 264000.00  
 SYSPRFBAL PRF\_DDA\_CDT AMOUNT: 264000.00  
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شركة تسويق النفط  
مكتب بالمبالغ المسترجعة لغزو مملكة النفاهم حسب الجدول  
الفترة من

عمولات

المرحلة	المنشئ	رقم العقد	القيمة / برميل	مبلغ الشحنة / برميل	المبلغ المستحق / دولار	المبلغ المسدد / دولار	المبلغ المتبقى / دولار	المرحلة
8	ACTEC	M/08/05	9,655,853	0.10	965,582.00	965,586.00	-4.00	8
8	ACTEC	M/08/103	980,250	0.10	98,025.00	98,025.00	0.00	8
8	ACTEC	M/08/104	995,967	0.10	99,596.00	99,596.00	0.00	8
8	ADDAX	M/08/57	602,272	0.10	60,227.00	60,262.00	-35.00	8
8	AFRICAN MIDDLE EAST	M/08/96	951,655	0.10	95,165.00	0.00	95,165.00	8
8	AGIP	M/08/19	2,780,617	0.10	278,060.00	0.00	278,060.00	8
8	ALFA ECO	M/08/24	3,127,461	0.10	312,745.00	312,719.10	25.90	8
8	AREDIO	M/08/35	2,645,068	0.10	264,505.00	264,505.00	0.00	8
8	ASHMOS	M/08/53	500,000	0.10	50,000.00	50,000.00	0.00	8
8	BASH NEFT	M/08/49	1,986,991	0.10	198,699.00	0.00	198,699.00	8
8	BELMET	M/08/41	4,725,367	0.10	472,536.00	472,536.00	0.00	8
8	BENZOL	M/08/69	2,003,987	0.10	200,398.00	0.00	200,398.00	8
8	CARTHAGO	M/08/79	1,497,352	0.10	149,735.00	0.00	149,735.00	8
8	CHAIYAPORN	M/08/33	2,910,719	0.10	291,070.00	290,990.90	79.10	8
8	CHINA OIL	M/08/13	348,521	0.10	34,852.00	34,817.10	34.90	8
8	CHINA WANBAO	M/08/15	3,039,547	0.10	303,953.00	299,995.00	3,958.00	8
8	COASTAL	M/08/72	2,018,771	0.10	201,877.00	201,877.00	0.00	8
8	COGEP	M/08/51	584,312	0.10	58,431.00	60,000.00	-1,569.00	8
8	DELTA PETROLEUM	M/08/47	1,500,000	0.10	150,000.00	150,000.00	0.00	8
8	DELTA SERVICES	M/08/111	1,575,000	0.10	157,500.00	38,978.50	1,236,021.50	8
8	DELTA SERVICES	M/08/112	999,412	0.10	99,941.00	24,978.50	74,962.50	8
8	EMIN	M/08/75	523,470	0.10	52,347.00	52,347.00	0.00	8
8	ETAP	M/08/44	806,124	0.10	80,611.00	0.00	80,611.00	8

إعداد: إدارة المراقبة - المبيعات التجارية

صفحة ١ من ٤

Permanent Subcommittee on Investigations  
Galloway Testimony Report  
EXHIBIT #68



شركة تسويق النفط

كشفت بالمبالغ المسترجعة لعقود مذكورة التفاهم حرب الحرير

الفقرة 5 من

عمولات

رقم الفتحة	السلع	الكمية / برميل	مبلغ الاستهلاك دولار / برميل	المبلغ المستحق لورد	المبلغ المدفوع لورد	المبلغ المتبقى لورد	ملاحظات
11	FENAR	3,397,101	0.30	1,019,130.30	1,019,130.30	0.00	
11	FENAR	1,672,748	0.25	418,187.00	418,187.00	0.00	
11	GHASSAN SHALLAH	200,000	0.25	50,000.00	50,000.00	0.00	
11	HAMED EST	1,046,898	0.30	314,069.40	314,095.40	-26.00	
11	HTU LTD	2,979,591	0.25	744,891.75	744,962.00	-64.25	
11	HYPERXOREY	1,940,324	0.30	582,097.20	59,985.00	522,112.20	
11	HYSON (NIGERIA)	1,017,722	0.30	312,600.00	0.00	312,600.00	
11	INCOMED TRADING	966,427	0.25	241,601.75	241,601.75	0.00	
11	INCOMED TRADING	3,032,927	0.25	758,231.75	757,062.35	1,169.40	
11	IVES COLTD	1,034,372	0.30	310,311.60	310,261.30	50.30	
11	IVES COLTD	1,469,869	0.25	367,467.25	367,467.25	0.00	
11	IVES COLTD	899,052	0.30	269,715.60	269,715.60	0.00	
11	JAWALA	2,000,000	0.30	600,000.00	250,000.00	350,000.00	
11	JORDAN GRAIN	1,800,000	0.25	450,000.00	450,000.00	0.00	
11	JORDAN GRAIN	1,635,348	0.30	490,604.40	490,604.00	0.40	
11	MACHINOIMPORT	3,042,671	0.30	912,801.30	912,771.30	30.00	
11	MACHINOIMPORT	3,366,413	0.27	916,603.25	916,603.25	0.00	
11	MARBEL RESOURCES	525,000	0.30	157,500.00	157,500.00	0.00	
11	MED NAFTA	8,094,595	0.30	2,428,378.50	2,388,708.51	39,669.99	
11	MEDCO	1,873,996	0.25	468,499.00	463,567.70	4,931.30	
11	MEDEX SERVICES	1,039,555	0.30	311,866.50	311,866.50	0.00	
11	MIDDLE EAST ADVANCED SEMI CONDUCTOR	2,360,860	0.30	708,258.00	0.00	708,258.00	

أحد قادة المقاومة - السجلات للتحريك

صفحة ٢ من ٥

DCN: 6011082249 18 APR.2001

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 TEST RESULT: NR  
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\* TRAILER: MESSAGE TAKEN UP FOR AUTOFT PROCESSING

AMR6513 AFL4873

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 SUBCOMMITTEE MEMBERS AND STAFF ONLY

Permanent Subcommittee on Investigations  
 Galloway Testimony Report  
 EXHIBIT #70

*United States Senate*  
**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**  
*Committee on Homeland Security and Governmental Affairs*

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*Norm Coleman, Chairman*  
*Carl Levin, Ranking Minority Member*

**SUPPLEMENTAL REPORT**  
**ON**  
**BAYOIL DIVERSIONS OF IRAQI OIL**  
**AND**  
**RELATED OVERSIGHT FAILURES**

**PREPARED BY THE**  
  
**MINORITY STAFF**  
**OF THE**  
**PERMANENT SUBCOMMITTEE**  
**ON INVESTIGATIONS**



**RELEASED IN CONJUNCTION WITH THE**  
**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**  
**OCTOBER 31, 2005 HEARING**

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY AND FINDINGS</b> .....	
Illegal Surcharge Demands .....	
Millions in Illicit Revenue .....	
U.S. Oversight Failure .....	
U.N. Oversight Failure .....	
<b>BACKGROUND</b> .....	
Minority Staff Investigation .....	
The U.N. Oil-for-Food Program .....	
Role of Bayoil .....	
Suspect Bayoil Shipments .....	
<b>FINDINGS</b> .....	
In Early 2001, Bayoil Financed the Payment of Illegal Surcharges Demanded by the Hussein Regime by Paying Increased Fees for Iraqi Oil that Bayoil Purchased from Intermediaries Who Paid the Surcharges to Iraq .....	
In Early 2001, Bayoil Appears to Have Generated Millions in Illicit Revenue by Diverting Iraqi Oil Shipments to Unapproved Destinations in Violation of OFF Requirements and U.S. Sanctions on Iraq .....	
a. Bayoil and Rosnefteimpex Provided the United Nations with False Information about the Timing, Transport, and Final Destination of Iraqi Oil that Rosnefteimpex Purchased from Iraq and Sold to Bayoil .....	
b. The False Information Provided by Bayoil and Rosnefteimpex Misled the United Nations .....	
c. Bayoil Appears to Have Diverted at least 4 Million Barrels of Iraqi Oil to Unapproved Destinations .....	
d. Bayoil's Delivery of Iraqi Oil to Unapproved Destinations Violated OFF Requirements and U.S. Regulations Restricting Trade with Iraq .....	
e. Bayoil Appears to Have Generated at Least \$7.5 Million in Illicit Revenue by Delivering 4 Million Barrels of Iraqi Oil to Unapproved Destinations. This Illicit Revenue Provided Bayoil with a Source of Funds to Pay Higher Fees to Companies Paying Illegal Surcharges to Iraq .....	
The U.S. Failure to Investigate or Help the United Nations to Investigate Suspect Bayoil Shipments Involving Several Million Barrels of Iraqi Oil Impaired Oversight of the OFF Program and Efforts to Deter the Payment of Illegal Surcharges .....	
The Failure of the U.N. Office of Iraq Programme to Notify the U.N. 661 Committee of Bayoil's Failure to Provide Requested Documentation on Suspect Shipments Involving Several Million Barrels of Iraqi Oil Impaired Oversight of the OFF Program and Efforts to Deter the Payment of Illegal Surcharges ...	

**SUPPLEMENTAL REPORT  
ON  
BAYOIL DIVERSIONS OF IRAQI OIL  
AND  
RELATED OVERSIGHT FAILURES**

October 31, 2005

**. EXECUTIVE SUMMARY AND FINDINGS**

The Minority Staff of the U.S. Senate Permanent Subcommittee on Investigations has obtained and evaluated evidence that certain shipments of oil from Iraq by Bayoil, Inc., a U.S. corporation, violated United Nations (U.N.) Oil-for-Food (OFF) program requirements and U.S. sanctions on Iraq. In this Supplemental Report, the Minority Staff makes the following findings.

1. **Illegal Surcharge Demands.** In early 2001, Bayoil financed the payment of illegal surcharges demanded by the Hussein regime by paying increased fees for Iraqi oil that Bayoil purchased from intermediaries who paid the surcharges to Iraq.
2. **Millions in Illicit Revenue.** In early 2001, Bayoil appears to have generated millions of dollars in illicit revenue by diverting Iraqi oil shipments to unapproved destinations in violation of OFF requirements and U.S. sanctions on Iraq.
  - a. Bayoil and Rosnefteimpex, a Russian company that bought and sold Iraqi oil, provided the United Nations with false information about the timing, transport, and final destination of Iraqi oil that Rosnefteimpex had purchased from Iraq and sold to Bayoil.
  - b. The false information provided by Bayoil and Rosnefteimpex misled the United Nations.
  - c. Bayoil appears to have diverted at least 4 million barrels of Iraqi oil to unapproved destinations.
  - d. Bayoil's delivery of Iraqi oil to unapproved destinations violated OFF requirements and U.S. regulations restricting trade with Iraq.
  - e. Bayoil appears to have generated at least \$7.5 million in illicit revenue by delivering 4 million barrels of Iraqi oil to unapproved destinations. This illicit revenue provided Bayoil with a source of funds to pay higher fees to companies paying illegal surcharges to Iraq.
3. **U.S. Oversight Failure.** The U.S. failure to investigate or help the United Nations to investigate suspect Bayoil shipments involving several million barrels of Iraqi oil impaired oversight of the OFF program and efforts to deter the payment of illegal surcharges.
4. **U.N. Oversight Failure.** The failure of the U.N. Office of Iraq Programme to notify the U.N. 661 Committee of Bayoil's failure to provide requested documentation on suspect shipments involving several million barrels of Iraqi oil impaired oversight of the OFF program and efforts to deter the payment of illegal surcharges.



## II. BACKGROUND

### A. Minority Staff Investigation

In 2004, the U.S. Senate Permanent Subcommittee on Investigations began investigating allegations of misconduct regarding the United Nations Oil-for-Food and Iraqi sanctions programs, particularly the extent to which such misconduct involved U.S. persons or affected U.S. national interests. On May 17, 2005, in connection with the Subcommittee's third hearing on this matter, Ranking Minority Member Senator Carl Levin issued a staff report entitled, "Illegal Surcharges on Oil-for-Food Contracts and Illegal Oil Shipments from Khor al-Amaya." (hereinafter "Minority Staff Report").<sup>1</sup> Among other concerns, the Minority Staff Report examined issues related to illegal surcharges imposed by the Iraqi Government, from September 2000 to September 2002 (hereinafter "surcharge period"), on the export of Iraqi oil pursuant to contracts approved by the United Nations under the OFF program. The Minority Staff Report presented detailed information on certain Bayoil activities, including the extent to which Bayoil appears to have financed the payment of at least \$37 million in illegal surcharges to Iraq.<sup>2</sup>

Additionally, the Minority Staff Report presented evidence showing that the U.S. Government, particularly the U.S. Department of Treasury Office of Foreign Assets Control (OFAC), failed to provide assistance requested by the United Nations to obtain information about certain suspect shipments of Iraqi oil handled by Bayoil. In early 2001, the U.N. Oil Overseers – oil industry experts employed by the United Nations to assist the U.N. 661 Committee in its approval and oversight of Iraqi oil sales – began to seek specific information from Bayoil about certain shipments of oil from Iraq. When Bayoil refused to provide the detailed information or documentation sought by the Oil Overseers showing that these shipments fully conformed to U.N. requirements, the Oil Overseers turned to the U.S. Government for assistance. The Oil Overseers first asked the U.S. State Department for assistance in mid-2001; when no information was provided by early 2002, the Oil Overseers asked the State Department for a second time to obtain the requested information from Bayoil. Despite these two requests, OFAC failed to obtain any of the requested information from Bayoil or to direct Bayoil to cooperate with the United Nations.

Based on these events and OFAC's failure to conduct meaningful oversight of Bayoil or any other U.S. company handling Iraqi oil, the Minority Staff Report concluded that "the United States did not exercise meaningful oversight to detect or stop particular persons and companies within its jurisdiction from paying the illegal surcharges demanded by Iraq."<sup>3</sup>

After the issuance of the initial Minority Staff Report, the Minority Staff obtained new information about the Bayoil shipments that were the focus of the attention of the U.N. Oil Overseers. This new information provides strong evidence that, as the U.N. Oil Overseers had suspected, Bayoil violated U.N. requirements and U.S. regulations by diverting shipments of Iraqi oil from their approved destinations. By diverting oil that had been discounted in price by Iraq, with the approval of the United Nations, for sale in North America, and instead selling that oil in higher-priced European markets, Bayoil was able to generate millions of dollars in illicit revenues. Because the price discount would not have been provided had the U.N. and Iraq known of the true destination of the oil, these gains were obtained at the expense of the U.N. escrow account in which the proceeds from Iraq's oil sales were to be deposited, and, ultimately, at the expense of the humanitarian needs

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<sup>1</sup> "Illegal Surcharges on Oil-for-Food Contracts and Illegal Oil Shipments from Khor al-Amaya," prepared by the U.S. Senate Permanent Subcommittee on Investigations Minority Staff, released in connection with the Subcommittee hearing entitled, "Oil for Influence: How Saddam Used Oil to Reward Politicians Under the U.N. Oil-for-Food Program" (May 17, 2005).

<sup>2</sup> *Id.* at 13-42. The Minority Staff Report identified 102 oil cargoes, involving over 200 million barrels of Iraqi oil, that were purchased by Bayoil during the surcharge period, mostly from third parties holding allocations to purchase Iraqi oil from the Government of Iraq. According to SOMO records, these third parties paid approximately \$37 million in illegal surcharges to the Government of Iraq. See also U.N. Independent Inquiry Committee Report, "Report on Programme Manipulation" (Oct. 27, 2005), Chapter 2, Section VI.B on Bayoil.

<sup>3</sup> Minority Staff Report at 63.

of the Iraqi people. These revenues also provided a source of funds for Bayoil to have financed the payment of illegal surcharges to the Hussein regime.

This evidence, which was obtained by the Minority Staff with the support of Subcommittee Chairman Norm Coleman, includes shipping records from one of the vessels that carried oil purchased by Bayoil; oil purchase records from U.S. companies that purchased oil cargoes from Bayoil; and interviews of knowledgeable persons about the key shipments, including former and current U.N. personnel. The Minority Staff also requested interviews, submitted requests for information, and provided an opportunity to respond to preliminary findings to David Chalmers, President of Bayoil, and to Sergei Issakov, formerly associated with Rosnefteimpex, two of the companies involved in the suspect oil shipments. Neither Mr. Chalmers nor Mr. Issakov provided any information in response to the Subcommittee's requests.

The new evidence obtained by the Subcommittee indicates that, in early 2001, Bayoil shipped over 4 million barrels of Iraqi oil to unapproved destinations in violation of the relevant U.N.-approved contracts, OFF program requirements, and U.S. regulations. U.N.-approved contracts authorizing Iraqi oil exports established the price of the oil, in part, according to the final destination where the oil was to be shipped and sold. The contracts also required that the Iraqi oil be delivered to the destination specified in the contract. With respect to the Bayoil shipments investigated by the Minority Staff, one shipment appears to have been diverted from North America to delivery in Europe, while another appears to have been diverted from Europe to delivery in the United States.

Bayoil appears to have generated at least \$7.5 million in illicit revenue from these two diversions. At the time these diversions occurred, in early 2001, Iraq was illegally demanding that companies buying oil from Iraq pay directly to the Hussein regime a 30-cent per barrel surcharge, above the U.N.-approved official sales price for Iraqi oil, on oil exports to North America and 25-cents per barrel on oil exported to other destinations. Bayoil records indicate that, when questioned about one of these shipments by the U.N. Oil Overseers, both Bayoil and Rosnefteimpex – the Russian company which bought the shipment, paid illegal surcharges for it, and sold it to Bayoil – provided the United Nations with materially false information that mischaracterized the timing, transport, and final destination of this shipment.

The Minority Staff has also obtained evidence that, in 2002, the U.N. Oil Overseers sent a memorandum to the Director of the U.N. Office of Iraq Programme, Benon Sevan, recommending that the Oil Overseers notify the U.N. 661 Committee about the suspect Bayoil shipments and Bayoil's refusal to provide requested information and documentation about the shipments to the United Nations. Mr. Sevan did not approve this recommendation, apparently without providing any explanation for his decision. The result was that the Bayoil matter was never formally presented to the U.N. 661 Committee.

The United States' failure to assist the U.N. Oil Overseers or to conduct its own examination of the suspect Bayoil shipments impaired the Oil Overseers' efforts to detect what appears to have been a serious violation of OFF program requirements, the loss of several million dollars of Iraqi oil revenues for the U.N. escrow account, and the payment of millions of dollars in illegal surcharges to the Hussein regime. Similarly, Mr. Sevan's refusal to notify the 661 Committee of the Oil Overseers' concerns regarding the Bayoil shipments impaired the United Nations' ability to prevent illegal surcharge payments to the Hussein regime.

#### **B. The U.N. Oil-for-Food Program**

Within days of Iraq's invasion of Kuwait in August 1990, the U.N. Security Council adopted Resolution 661, imposing a broad economic and military embargo on Iraq. With respect to the economic embargo, Resolution 661 directed that "all States shall prevent . . . the import into their territories of all commodities and products originating in Iraq" and "the sale or supply by their nationals . . . of any commodities or products" to Iraq.<sup>4</sup> The same week, President George H.W. Bush issued executive orders declaring that Iraq posed an "unusual and extraordinary threat to the

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<sup>4</sup> United Nations Security Council Resolution 661 (8/6/90).

national security and foreign policy of the United States,” and imposing a U.S. trade embargo on Iraq in accordance with U.N. sanctions.<sup>5</sup> Implementing federal regulations, issued by the U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) which administers U.S. sanctions programs, prohibited U.S. individuals and companies from executing contracts or otherwise transacting business in commodities bought from or sold to Iraq unless authorized by a specific OFAC license.<sup>6</sup>

Prior to Iraq’s invasion of Kuwait and the imposition of sanctions, Iraq had imported most of its food and medicine. Although the U.N. sanctions contained an exception for the importation of food, medicine, and other humanitarian supplies, Iraq was unable to generate sufficient revenues or obtain loans to make such purchases. To address the humanitarian needs of the Iraqi people, in mid-1991 the Security Council passed U.N. Resolutions 706 and 712, which authorized the sale of not more than \$1.6 billion of oil over a six-month period. The proceeds from approved oil sales were to be placed into a U.N.-controlled escrow account, which then could be used for the purchase of food, medicine, humanitarian supplies, and other goods for the essential civilian needs of the Iraqi people.<sup>7</sup>

Saddam Hussein, however, refused to accept the terms of these resolutions. Iraq stated that it had already complied with U.N. cease-fire resolutions, and claimed that the imposition of these controls on Iraqi oil sales was an impermissible infringement upon Iraqi sovereignty. Saddam Hussein’s objections to the implementation of U.N. Resolutions 706 and 712 developed into a protracted political stalemate.

The primary victims of Saddam Hussein’s intransigence were the Iraqi people. By the mid-1990s, the average daily caloric intake of the average Iraqi adult had fallen below 2,000 calories per day, “typical of a drought-affected country in Sub-Saharan Africa and is associated with extensive and rising malnutrition.”<sup>8</sup> By this time the Iraqi people were also suffering increases in child malnutrition, significant deteriorations in essential environmental infrastructure such as electricity production and sewage treatment, the re-emergence of previously controlled diseases, precipitous declines in the availability of medicine and health care, and rapid inflation.

In April 1995, faced with a humanitarian crisis in Iraq, and in light of positive reports on the Hussein regime’s progress towards compliance with its disarmament obligations, the U.N. Security Council passed Resolution 986, which again authorized the Iraqi Government to sell oil, under certain conditions, and use the proceeds from these sales for the purchase of humanitarian goods. Iraq initially objected to Resolution 986, but several months later reversed course. In May 1996, as a result of extensive diplomatic efforts and negotiations involving U.N., Iraqi, and various U.N.-member state officials, Iraq and the United Nations formally agreed to a “Memorandum of Understanding” (MOU) to govern the implementation of Resolution 986.<sup>9</sup> U.S. sanctions regulations were modified to conform to Resolution 986 and the terms of the MOU; these regulations and other U.S. regulations relating to Iraq remained in effect until May 2003, after the fall of the Hussein regime.

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<sup>5</sup> See Executive Orders 12722 (8/2/90) and 12724 (8/9/90). The President imposed the trade embargo using authority granted under the International Emergency Economic Powers Act, 50 U.S.C. §1701. Successive executive orders by subsequent U.S. Presidents continued this trade embargo on Iraq until 2003.

<sup>6</sup> See 31 C.F.R. Ch. V, Part 575 (7-1-03 Edition).

<sup>7</sup> Prior to such purchases, 30 percent of the value of the oil exports were to be paid to the United Nations Compensation Fund to compensate governmental and other claimants for damages arising from Iraq’s invasion of Kuwait, as required under previous U.N. resolutions. U.N. Resolution 706.

<sup>8</sup> Report of an Independent Working Group established by the Independent Inquiry Committee, “The Impact of the Oil-for-Food Programme on the Iraqi People” (Sept. 7, 2005) (hereinafter “Independent Working Group”), at 20.

<sup>9</sup> For an extensive description of the development of the OFF program, including the diplomatic maneuvering leading to the MOU, see the U.N. Independent Inquiry Committee Report, “The Management of the United Nations Oil-for-Food Programme” (hereinafter “IIC Management Report”), Vol. II (Sept. 7, 2005).

Under the Oil-for-Food program established by Resolution 986 and the subsequent MOU, all of the proceeds from the sale of Iraqi oil were to be deposited into an escrow bank account under U.N. control at Banque Nationale de Paris (BNP). Although Iraq was provided with the authority to select the companies with which it would enter into contracts for the sale of oil, all contracts between the Government of Iraq and purchasers of Iraqi oil had to be approved by the U.N. 661 Committee, the Committee established by the U.N. Security Council to oversee implementation of U.N. sanctions on Iraq. Prospective purchasers of Iraqi oil had to be approved by the government of a member state in order to participate in the program.<sup>10</sup>

To administer the OFF program, the United Nations established the Office of Iraq Programme (OIP), which for the entire duration of the program was headed by Benon Sevan.<sup>11</sup> The United Nations also hired several oil industry experts, designated as “U.N. Oil Overseers,” to assist the OIP and U.N. 661 Committee in overseeing OFF oil sales and contracts.

Iraqi oil sales under the OFF program began in December 1996. During the program, Iraq sold over \$64 billion worth of oil. Approximately \$34 billion of this amount was spent for humanitarian purposes.

U.S. and U.N. reviews have concluded that the OFF program provided essential humanitarian benefits to the people of Iraq. Former U.S. Ambassador to the United Nations and Iraq John D. Negroponte testified to the Senate:

“The U.S. Government supported the program’s general objective of creating a system to address the humanitarian needs of the Iraqi civilian population, while maintaining strict sanctions enforcement of items that Saddam Hussein could use to rearm or reconstitute his WMD program. We believe the system the Security Council devised by and large met those objectives.”<sup>12</sup>

The U.N.’s Independent Inquiry Committee (IIC) has concluded the OFF program “achieve[d] important successes,” including helping to “maintain the international effort to deprive Saddam Hussein of weapons of mass destruction,” and that “minimal standards of nutrition and health were maintained in the face of a potential crisis.”<sup>13</sup> More specifically, the Independent Working Group established by the IIC to evaluate the impact of the OFF program on the Iraqi people found:

“The food supplies provided through the OFFP reversed a serious and deteriorating food crisis, preventing widespread hunger and probably reducing deaths to which malnutrition was

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<sup>10</sup> To win an OFF contract, a person or company had to be designated a “national oil purchaser” by a specific U.N. member country. Member countries were supposed to evaluate each applicant for this designation and then forward only approved applications to the United Nations. In the United States, OFAC was assigned the responsibility of approving U.S. companies as “national oil purchasers” and issued federal regulations establishing a procedure for so doing. See 31 CFR Part 575 (Subpart E). OFAC viewed its licensing role for U.S. participants in the OFF program as a purely ministerial task. OFAC sought to ensure that prospective U.S. participants completed the registration forms and forward those completed forms to the United Nations. OFAC did not perform any substantive review of the application or the applicant. For more information, see Minority Staff Report at 53-58.

<sup>11</sup> The Independent Inquiry Committee (IIC) has since found significant instances of corruption and malfeasance involving Mr. Sevan and the OFF program. In its Third Interim Report, the IIC concluded: “Mr. Sevan corruptly derived substantial financial benefits by soliciting and receiving oil allocations for AMEP [African Middle East Petroleum Co. Ltd. Inc.] from the Government of Iraq,” and “derived financial benefits that [he] knew would be tainted by payment from [the head of AMEP] Mr. [Fakhry] Abdelnour of an illegal surcharge to the Iraqi regime in violation of both the United Nations sanctions regime and the rules of the Programme.” IIC Third Interim Report (Aug. 8, 2005) at 6. In its Comprehensive Report, the IIC found “a significant body of evidence demonstrates that Mr. Sevan did not administer the Programme in a transparent manner and did not report sanctions violations to the 661 Committee in a sufficient manner.” IIC Management Report, Vol. III, at 71.

<sup>12</sup> “Statement of Ambassador John D. Negroponte Before the United States Senate Committee on Foreign Relations, Hearing on the Oil-for-Food Program,” (April 7, 2004).

<sup>13</sup> IIC Management Report, Vol. I, at 1.

contributing. . . . In terms of numbers, it can be estimated, for example, that there were some 360,000 fewer malnourished children in 2000 than there would otherwise have been.”<sup>14</sup>

### C. Role of Bayoil

During the OFF program, the United States was the largest single consumer of Iraqi oil, importing about 1.2 billion barrels overall or about 50 percent of all the oil sold by Iraq under the program.<sup>15</sup> Although some U.S. companies bought oil directly from Iraq in the first few phases of the OFF program, in subsequent phases Iraq imposed a policy which, in general, barred the direct issuance of OFF contracts to U.S. companies or their affiliates.<sup>16</sup> Instead, U.S. companies typically bought oil from individuals or companies who had been given Iraqi oil allocations or from companies which had contracted with an oil allocation holder to load and transport oil from Iraq.

From 2000 to 2002, Bayoil (U.S.A.), Inc. and its affiliates, operating out of Houston, Texas, became one of the largest importers of Iraqi oil into the United States.<sup>17</sup> The prior Minority Staff Report identified 102 oil cargoes, involving over 200 million barrels of Iraqi oil, that were purchased by Bayoil during the surcharge period from September 2000 to September 2002, mostly from third parties holding Iraqi oil allocations. In April 2005, a U.S. federal grand jury indicted Bayoil and its principal officers, David Chalmers, John Irving, and Ludmil Dionissiev, charging in part that Bayoil and its three principals “agreed to pay, did pay, and caused to be paid millions of dollars in secret illegal surcharges to the Government of Iraq.”<sup>18</sup>

### D. Suspect Bayoil Shipments

The suspect Bayoil shipments examined in this Report took place in the first quarter of 2001, during the surcharge period, and involved approximately 4 million barrels of Iraqi oil. The U.N.-approved contracts in the OFF program required Iraqi oil to be directly transported to and sold at the final destination specified in the contract. In the spring of 2001, the U.N. Oil Overseers became concerned that Iraqi oil purchasers may have been gaining illicit revenues by diverting exported Iraqi oil to unapproved destinations, meaning destinations other than the destination specified in the U.N.-approved contract. The U.N. Oil Overseers were particularly concerned that Iraqi oil destined and priced for delivery in North America may have been delivered to Europe instead.

Generally, Iraqi oil sold for delivery to North America was priced less than oil destined for Europe, in part to compensate for the additional cost of shipping it across the Atlantic Ocean. This pricing policy was in accordance with oil industry practice for other types of Middle Eastern oil, most of which was sold with destination restrictions. Absent these destination restrictions, purchasers could sell the lower-priced oil initially destined for North America in higher-priced European markets, thereby reaping profits simply by misleading the sellers as to the final destination. On rare occasions, due to localized variations in the price of crude oil in different markets, it could even be profitable to sell and deliver in North America oil destined and priced for delivery in Europe.

<sup>14</sup> Independent Working Group, at 177-178.

<sup>15</sup> U.S. Energy Information Administration: September 2005, Monthly Energy Review, Table 11.1a (Crude Oil Production, OPEC Members); Gross Oil Imports from Iraq into Individual OECD Countries and Total OECD, Most Recent 12 Years, at [www.eia.gov/emeu/international/petroleum.html#IntlTrade](http://www.eia.gov/emeu/international/petroleum.html#IntlTrade).

<sup>16</sup> See, e.g., Subcommittee Interview with Senior Hussein Regime Official No. 1 (4/14/05); letter dated 5/22/02, from Bayoil’s legal counsel, Dickstein Shapiro Morin & Oshinsky LLP, to OFAC; letter dated 12/15/98, from the Iraqi Ambassador to Russia, Dr. Hassan Fihahmi Juma, to Vladimir Zhirinovskiy, Bates BAYOILUSA009396 (apologizing that “Iraq cannot do any deals with American companies” and so cannot issue a contract to Bayoil to load oil allocated to Mr. Zhirinovskiy) (Exhibit 23); Comprehensive Report of the Special Advisor to the DCI on Iraq’s WMD (Sept. 30, 2004) (hereinafter “ISG Report”), Annex B.

<sup>17</sup> See Minority Staff Report, Appendix.

<sup>18</sup> United States v. Chalmers, Case No. S1-05-Cr. 59(DC) (U.S.D.C. S.D.N.Y.), Indictment (April 2005; superseded by Indictment filed on October 19, 2005). The Minority Staff Report determined that, during the surcharge period, Bayoil financed the payment of at least \$37 million in illegal surcharges demanded by the Iraqi Government in connection with the sale of its oil. See Minority Staff Report at 13-27.

With respect to Iraqi oil in particular, the U.N. Oil Overseers were concerned that illicit profits obtainable from destination switching could be used to fund the illegal surcharge payments that Saddam Hussein had begun to demand in late 2000.<sup>19</sup> Additionally, to the extent that Iraq – with approval of the United Nations – had discounted the price of its oil for North American destinations, illicit sale of that oil to Europe deprived the U.N. escrow account of the full sales price that could have been obtained had the oil been properly priced for delivery to Europe. Ultimately, therefore, these diversions were at the expense of the funds used to purchase humanitarian goods and supplies for the Iraqi people. Destination switching not only unjustly enriched the company selling the Iraqi oil at the expense of the Iraqi people, but those illicit profits also could then be used to pay higher fees to companies that were paying illegal surcharges to the Hussein regime.

By the spring of 2001, the U.N. Oil Overseers expressed particular interest in tracking Bayoil's shipments of Iraqi oil that had been priced for delivery to North America but were discharged into the SUMED pipeline at the Egyptian port of Ain Sukhna, near the southern entrance to the Suez Canal in the Red Sea. The SUMED pipeline runs parallel to the Suez Canal, from Ain Sukhna to the Egyptian port of Sidi Kerir, near the northern end of the canal in the Mediterranean. Due to the physical limitations of the Suez Canal, large oil tankers cannot pass through the canal fully loaded; instead such tankers must discharge either all or part of their cargo through the SUMED pipeline and then pass through the canal either partially or fully empty.<sup>21</sup> The U.N. Oil Overseers sought to determine whether Bayoil had re-loaded the oil at Sidi Kerir from the pipeline onto the same or a different ship and then transported to North America, as required by the U.N.-approved contracts, or instead had sold the oil to buyers in Europe.

In particular, the U.N. Oil Overseers were concerned that "transshipments"<sup>22</sup> through the SUMED pipeline were being used to obscure the ultimate destination of the Iraqi oil, in contravention of U.N.-approved contracts. Oil cargoes discharged into the SUMED pipeline and subsequently re-loaded onto a vessel were particularly difficult to follow, since it required the Oil Overseers to track multiple shipments and transfers of the oil after it had left Iraq. Accurately tracing oil offloaded from a vessel into the SUMED pipeline and then re-loaded onto the same or a different vessel required the U.N. Oil Overseers to obtain additional documentation from additional shipping companies regarding the relevant vessels, loading dates, and volumes of oil loaded into and taken from the SUMED pipeline.

On several occasions, beginning in the spring of 2001, the U.N. Oil Overseers asked Bayoil to provide information and documentation establishing that the final destinations of certain oil shipments it had sent through the SUMED pipeline were consistent with the approved destinations in the relevant U.N. contracts.<sup>23</sup>

Initially, Bayoil refused to provide any information to the U.N. Oil Overseers. In a June 2001 letter addressed to the Chairman of the U.N. 661 Committee, Bayoil's president, David Chalmers, complained of the "compelling evidence of a long standing prejudice toward myself and the company I am affiliated with." He stated "the documentation request is completely outside [Oil

<sup>19</sup> Subcommittee interviews of former U.N. Oil Overseer (5/5/05 and 8/10/05).

<sup>21</sup> According to oil experts contacted by the Subcommittee, large oil tankers with cargoes of more than 2 million barrels cannot pass fully loaded through the Suez Canal. Shippers transporting larger cargoes through the Canal must discharge all or part of their load of oil into the SUMED pipeline. At the other end of the pipeline, at Sidi Kerir, the oil is re-loaded onto either the same ship – after it has passed partially or fully empty through the canal – or onto a different vessel. Alternatively, large oil tankers can sail around the Cape of Good Hope, a route that extends the sailing time from the Middle East to North America by 10 to 12 days. In determining whether to employ the SUMED pipeline or sail around the Cape of Good Hope, shippers typically consider such factors as oil prices, the ultimate destination of the oil, sailing times, tanker costs, and pipeline transport and storage rates.

<sup>22</sup> A "transshipment" occurs when oil being transported to a specific destination is offloaded from one ship and onto another ship before reaching its destination. According to former U.N. officials, U.N.-approved contracts under the OFF program forbade transshipments. Subcommittee interviews of U.N. Oil Overseer (5/5/05 and 8/10/05).

<sup>23</sup> This Report's description of the U.N. Oil Overseers' requests for information, Bayoil's refusal to cooperate with the United Nations, and OFAC's non-responsiveness to the U.N. Oil Overseers' requests for assistance is taken from the prior Minority Staff Report at 59-62.

Overseer] Mr. Tellings's authority and mandate under the program." He informed the 661 Committee he would "respectfully decline Mr. Telling's [sic] request for information outside the authority of this office, while maintaining our accountability to all our suppliers, including SOMO, with respect to meeting contractual terms and conditions."<sup>24</sup>

In a July 2001 letter to the U.N. Oil Overseers, Bayoil wrote that it was "perplexed" by the Oil Overseers' request for information about the transshipments, but "exclusively as a matter of courtesy" would nonetheless provide certain information "in the spirit of cooperation." Bayoil then provided, for each of the questioned shipments, the vessel name, quantity of oil loaded, bill of lading date, loading port, destination, and the routing used, meaning whether the oil went through the SUMED or around the Cape of Good Hope.<sup>25</sup> This information, however, was not responsive to the Overseers' request for documentation showing the volumes of oil discharged from the SUMED pipeline and the actual, final destination of that discharged oil.

As a result of Bayoil's lack of cooperation, the U.N. Oil Overseers requested assistance from the U.S. Mission to the United Nations in obtaining the information from Bayoil. On August 17, 2001, the U.S. State Department formally requested OFAC to "contact Bay Oil and urge that the company respond quickly and completely to the Office of the Iraq Program's request for information."<sup>26</sup>

While awaiting U.S. assistance, the Oil Overseers persisted in their effort to obtain the critical information directly from Bayoil. On November 28, 2001, for example, the Oil Overseers wrote to Bayoil to "restate the information we require." Specifically, the Oil Overseers sought "the relevant logistical information" about two specific shipments by Bayoil, one that had been purchased from Italtel, and another that had been purchased from the Russian company Rosnefteimpex. The Oil Overseers told Bayoil, "As nearly six months have now passed since we first requested this information, we would like to advise that, in absence of a prompt response, we have to inform the United Nations Sanctions Committee of this situation."<sup>27</sup>

On January 10, 2002, the Oil Overseers again wrote to Bayoil:

"Our understanding on this issue is as follows. Both cargoes of oil were bought by Bayoil Supply and Trading . . . and that this company was involved in the shipment of this oil to its ultimate destinations. The clause in the SOMO oil purchase contract (letter of credit), which prohibits transshipment, was not adhered to and this oil was pumped via the SUMED pipeline into other vessels.

Although we have no reason to believe that any violation of destination restrictions has taken place, you will appreciate that monitoring of this is difficult in cases like this where the oil has been transshipped.

Albeit that some information has been provided, this remains incomplete. In order to eliminate any doubt and to satisfy that no money has been withheld from the UN-Iraq account, we urge you again to supply us with all the relevant information on this matter.

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<sup>24</sup> Memorandum dated 6/25/01, from Bayoil to the U.N. 661 Committee Chairman, Bates BAY04-01301-01302 (Exhibit 1). A Bayoil document labeled "Draft" indicates that Bayoil may have made the same complaints about the Oil Overseers to the Russian mission to the United Nations. Draft Memorandum dated 6/25/01, from Bayoil to the U.N. Mission of the Russian Federation, Bates BAYOILUSA015391 (Exhibit 2).

<sup>25</sup> Memorandum dated 7/14/01, from Bayoil to the U.N. Oil Overseers, Bates BAYOILUSA015393-015394 (Exhibit 3).

<sup>26</sup> Memorandum dated 8/17/01, from Bruce Williamson, Acting Director, Office of Economic Sanctions Policy, to R. Richard Newcomb, Director, OFAC (Exhibit 4).

<sup>27</sup> Fax dated 11/28/01, from the U.N. Oil Overseers to Bayoil, U.N. Security Council document S/AC.25/2001/OIL/1360, Bates IT-02314 (Exhibit 5).

Specifically, for the aforementioned vessels we require discharge dates and discharge volumes.”<sup>28</sup>

Once again, the Oil Overseers threatened, if the information was not forthcoming, to inform the Director of the Office of Iraq Programme “for the purpose of briefing the 661 Sanctions Committee.”

Bayoil again responded with charges of bias and prejudice by the Oil Overseers. Bayoil wrote it was “surprised by the continued request directly to Bayoil relating to specific detailed information,” and was “greatly concerned” that the Oil Overseers were “on some kind of mission to find fault with our Company.” It charged the Oil Overseers with “apparent prejudice toward Bayoil,” and felt “compelled” to respond to the Oil Overseers’ “over-zealous efforts to audit our company’s indirect participation in the Oil Sale program.” Bayoil stated that with respect to the Oil Overseers’ “ultimatum in connection with the documentation requested,” the company did “not feel currently obligated to provide such information under such circumstances, particularly as the information requested is likely to be used out of context.”<sup>29</sup>

In January 2002, the U.N. Oil Overseers apparently made a second request for U.S. assistance to obtain information from Bayoil. This request presumably followed the same path through the U.S. State Department to OFAC. OFAC has no records associated with this second request, however, and was unable to provide the Subcommittee with any information about its receipt of or response to the U.N. request.

Eight months after the U.N. Oil Overseers’ initial request to the U.S. Mission to the United Nations, OFAC finally wrote to Bayoil on April 23, 2002, requesting “a complete report in writing concerning any transactions conducted pursuant to the OFAC Licenses or otherwise subject to the provisions of the Reporting Regulations.”<sup>30</sup> OFAC did not ask for the specific shipping information sought by the United Nations, nor did it direct Bayoil to cooperate with the U.N. Oil Overseers.

In May 2002, Bayoil responded that it no longer contracted directly with Iraq and so had no licensing activity to report.<sup>31</sup> Since OFAC had not asked for specific shipment information, Bayoil did not supply any of the information sought by the United Nations. OFAC then failed to submit Bayoil’s response either to the State Department or the United Nations.<sup>32</sup>

The prior Minority Staff Report found that the U.S. Government had failed to provide the assistance requested by the U.N. Oil Overseers to determine whether Bayoil had violated the U.N.-approved contracts and OFF requirements. Such a violation also would have constituted a violation of OFAC regulations implementing U.S. sanctions against Iraq, since those regulations allowed U.S. persons to trade in Iraqi oil only if that oil was obtained in accordance with U.N. OFF program requirements.<sup>33</sup> Hence, the Minority Staff Report concluded that the U.S. Government had not only failed to help the United Nations monitor compliance with the OFF program, but also failed to adequately monitor and police a key U.S. importer of Iraqi oil and its compliance with U.S. regulations imposing sanctions on Iraq.

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<sup>28</sup> Fax dated January 10, 2002, from the Oil Overseers to Bayoil, U.N. Security Council document S/AC.25/2001/OIL/1382, Bates IT-02312-02313 (Exhibit 6).

<sup>29</sup> Memorandum dated 1/4/02, from Bayoil to U.N. Oil Overseers, Bates BAYOILUSA015308-015310 (Exhibit 7).

<sup>30</sup> Letter dated 4/23/02, from David H. Harmon, Chief, Enforcement Division, OFAC, to Bayoil USA, Inc., Bates BAY14-01965-01966 (Exhibit 8).

<sup>31</sup> Letter dated 5/22/02, from Bayoil’s legal counsel, George T. Boggs of Dickstein Shapiro Morin & Oshinsky, LLP, to OFAC., Bates BAY14-01961-01963 (Exhibit 9).

<sup>32</sup> For more detail on OFAC’s failure to investigate or help the United Nations to investigate suspect Bayoil shipments, see Minority Staff Report at 60-63.

<sup>33</sup> See Section III.B.4 below for further analysis.



### III. FINDINGS

This section of the Report discusses the new evidence obtained by the Subcommittee since the issuance of the Minority Staff Report in May 2005. It also presents and explains the Minority Staff's new findings.

#### **1. In Early 2001, Bayoil Financed the Payment of Illegal Surcharges Demanded By the Hussein Regime by Paying Increased Fees for Iraqi Oil that Bayoil Purchased from Intermediaries Who Paid the Surcharges to Iraq.**

As explained in the prior Minority Staff Report, in September 2000, Iraq began demanding that purchasers of Iraqi oil pay an illegal 10-cent per-barrel surcharge, over and above the official sales price established by SOMO and agreed to by the 661 Committee, and that the money be paid to Iraq directly instead of being deposited into the U.N.-controlled escrow account designated to receive all oil revenues from the OFF.<sup>34</sup> In December 2000, Iraq increased the surcharge to 30-cents per barrel for oil exported to North America, and 25-cents per barrel for oil exported elsewhere.<sup>35</sup>

By early 2001, the number of companies willing to buy Iraqi oil dropped dramatically due to the surcharge demands by Iraq, warnings by the United Nations and several countries, articles about the situation in the international press, and close scrutiny by the U.N. 661 Committee. According to one senior Iraqi official interviewed by the Subcommittee staff, the Iraqis were "kissing feet to lift oil" during this period.<sup>36</sup>

During the surcharge period, which took place from September 2000 to September 2002, Bayoil was unable to purchase oil directly from the Government of Iraq because the Iraqis were generally refusing to sell its oil directly to American-owned companies. Instead, Bayoil purchased Iraqi oil from non-U.S. companies who had obtained allocations to purchase oil from the Iraqi Government. In most cases, Bayoil actually loaded and transported from Iraq the oil it had purchased from these non-U.S. companies. According to Iraqi records, these non-U.S. companies paid illegal surcharges to Iraq on the Iraqi oil they sold to Bayoil.

According to Bayoil records, during the first three months of 2001, Bayoil bought 18 cargoes of Iraqi oil totaling over 35 million barrels from four companies. Bayoil purchased 14 of these cargoes from Italtech, and 2 from Rosnefteimpex. Table 1 identifies the four companies from which Bayoil bought the oil, the amount of oil involved in each purchase, and the Minority Staff's estimates of the amount of illegal surcharges assessed and paid on this oil purchased from Iraq during this period.<sup>37</sup>

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<sup>34</sup> See Minority Staff Report at 7-9.

<sup>35</sup> *Id.* at 9, 11.

<sup>36</sup> *Id.* at 21.

<sup>37</sup> The estimates of the surcharges paid on the Italtech, Rosnefteimpex, and NAFTA shipments were derived by using SOMO records of paid surcharges and prorating the total amount of surcharges paid on the corresponding U.N. contract according to the fraction of the total amount lifted under those contracts represented by these particular shipments. With respect to the Camtech cargo, the 500,000 barrel cargo sold to Bayoil represented the entire Camtech allocation. See also Minority Staff Report at 19-20, and Appendix.

**Table 1**  
**Iraqi Oil Purchased by Bayoil**  
**January - March 2001**

Original Purchaser of Iraqi Oil	U.N. Contract #	Number of Cargoes Sold to Bayoil	Barrels Purchased by Bayoil	Surcharge Rate on Original Purchase (per barrel)	Estimated Surcharges Paid by Original Purchaser
Italtech	M/09/07	14	29,301,023	19¢	\$5,567,194
Rosnefteimpex	M/09/25	2	4,131,066	26.8¢	\$1,107,126
NAFTA	M/09/28	1	1,982,882	30¢	\$594,865
Camtech	M/08/100	1	500,000	30¢	\$150,000
<b>Total Surcharges Paid on Cargoes Bought by Bayoil, Jan. - Mar. 2001</b>					<b>\$7,274,320</b>

*Source: Table prepared by Minority Staff, Senate Permanent Subcommittee on Investigations. Information taken from the Appendix to the Minority Staff Report issued on May 17, 2005.*

The prior Minority Staff Report presented evidence that Italtech passed on to Bayoil the costs of the illegal surcharges demanded by the Iraqi Government.<sup>38</sup> The prior Minority Staff Report also described evidence suggesting that Bayoil may have financed Italtech's payment of over \$6 million in illegal surcharges in the first half of 2001.<sup>39</sup>

Bayoil appears to have entered into similar arrangements with Rosnefteimpex, the Russian company that obtained oil allocations from Iraq and sold two cargoes – a total of about 4 million barrels – to Bayoil in early 2001. On January 18, 2001, presumably in response to Iraq's demands for illegal surcharges of 25 and 30 cents per barrel, Rosnefteimpex and Bayoil amended a sales agreement they had initially entered into on July 11, 2000. The amendment required Bayoil to pay Rosnefteimpex 35 cents per barrel above the U.N.-approved Official Sales Price (OSP) for Iraqi oil.<sup>40</sup> This 35-cent per barrel payment was substantially higher than typical sales commissions in the oil industry of a few cents per barrel, and the second of two increases above the 2-cent per barrel payment in the initial Bayoil-Rosnefteimpex sales agreement.

Iraq's State Oil Marketing Organization (SOMO), the governmental agency responsible for administering Iraq's oil programs, kept records of the illegal surcharges assessed and paid on specific oil shipments.<sup>41</sup> These SOMO records state that Rosnefteimpex paid an average of about 27 cents per barrel in illegal surcharges during Phase IX of the OFF program, from December 6, 2000, through June 3, 2001.

<sup>38</sup> This evidence included contractual agreements between Bayoil and Italtech, various expenses submitted by Italtech to Bayoil, and evidence of various payments made by Bayoil to Italtech. *Id.* at 22-26.

<sup>39</sup> *Id.* at 23-27.

<sup>40</sup> Addendum No. 2 to contract dated July 11, 2000 between Rosnefteimpex (BVI) United Kingdom and Bayoil Supply & Trading Limited, Nassau, Bahamas, (1/18/01), Bates BAY09-02250 (Exhibit 10). Five days later, Bayoil and Rosnefteimpex executed Addendum No. 3, in which Rosnefteimpex warranted to Bayoil that it "will not make any payments, directly or indirectly, to or for the benefit of the Government of Iraq or a person in Iraq, except transfers to the 986 Escrow Account maintained by the United Nations." Addendum No. 3 to contract dated July 11, 2000 between Rosnefteimpex (BVI) United Kingdom and Bayoil Supply & Trading Limited, Nassau, Bahamas, (1/23/01), Bates BAY09-02251 (Exhibit 11). The initial contract between Bayoil and Rosnefteimpex provided for a 2-cent per barrel payment. The first Addendum to the contract, dated July 26, 2000, called for a 24-cent per barrel payment; 12 cents in advance and 12 cents after each lifting. The second Addendum increased the payment to 35 cents per barrel. See Subcommittee staff report, "Report on Oil Allocations Granted to the Russian Presidential Council," Exhibits RPC FN 69 and 70.

<sup>41</sup> Undated SOMO document entitled "Surcharge," in Arabic, with English translation (hereinafter "SOMO Surcharge document"). See Minority Staff Report, Exhibit 35. Both the Iraq Survey Group and the U.N.'s Independent Inquiry Committee have concluded this is a credible document.

Bayoil's financial records indicates that Bayoil's suppliers did, in fact, pass on the costs of the illegal surcharges to Bayoil, in the form of higher fees or commissions, and that Bayoil did, in fact, pay these additional costs to its suppliers. Table 2 presents the fees and commissions paid by Bayoil to its suppliers for several of the shipments identified in Table 1.

**Table 2**  
**Bayoil Payments on Selected Iraqi Oil Purchases**  
**January - March 2001**

Bayoil Shipment Number	Supplier of Iraqi Oil to Bayoil	Number of Barrels Sold to Bayoil	Surcharge Paid by Supplier to Iraq (per barrel)	Fee Paid by Bayoil to Supplier (per barrel)	Date of Payment by Bayoil to Supplier	Amount Paid by Bayoil to Supplier
V-50128	Italtech	2,007,757	19¢	8¢	4/5/01	\$160,521.17
				20¢	4/23/01	\$401,489.16
V-50129	Rosnefte-impex	2,103,164	26.8¢	35¢	3/26/01	\$739,107.40
V-50129	NAFTA	1,982,882	30¢	34¢	2/26/01	\$793,132.80
V-50129	Camtech	500,000	30¢	33¢	2/27/01	\$165,000.00
V-50130	Rosnefte-impex	2,027,902	26.8¢	35¢	2/27/01	\$709,765.70
V-50134	Italtech	2,376,927	19¢	8¢	4/9/01	\$189,937.34
				20¢	8/10/01	\$475,385.40

*Source: Table prepared by Minority Staff, Senate Permanent Subcommittee on Investigations. Information taken from Bayoil financial records entitled "Transaction Detail by Account," Shipments V-50128, V-50129, V-50130, and V-50134. The amounts paid to Italtech are consistent with the Bayoil-Italtech relationship and documents described in the prior Minority Staff Report at 21-27.*

To enable companies to sell Iraqi oil for a large enough profit to meet its demands for illegal surcharges, the Government of Iraq attempted to lower the OSP for Iraqi oil. Iraq's attempts to lower the OSP were largely unsuccessful, however, due to objections by the U.N. Oil Overseers and a few U.N. member countries, particularly the United States and United Kingdom.<sup>42</sup> A key question, then, is how Bayoil obtained the funds needed to pay additional per-barrel amounts to Italtech, Rosnefteimpex, and others.

The evidence discussed in this Supplemental Report indicates that Bayoil appears to have generated millions of dollars in additional revenues by selling Iraqi oil in unapproved markets in violation of the relevant U.N. contracts, OFF program requirements, and U.S. regulations. The amount of illicit revenues generated by these unapproved sales – at least \$7.5 million – appears to have been of sufficient magnitude to enable Bayoil to finance the payment of illegal surcharges to the Hussein regime in the first quarter of 2001, which amounted to about \$7.3 million. With respect to Rosnefteimpex in particular, the evidence indicates that, for the 4 million barrels of Iraqi oil Bayoil purchased from Rosnefteimpex in the first quarter of 2001, Bayoil paid Rosnefteimpex over \$1.4 million in sales fees, while Rosnefteimpex paid Iraq over \$1.1 million in illegal surcharges.

<sup>42</sup> For more detail, see Minority Staff Report at 45-47.

**2. In Early 2001, Bayoil Appears to Have Generated Millions in Illicit Revenue by Diverting Iraqi Oil Shipments to Unapproved Destinations in Violation of OFF Requirements and U.S. Sanctions on Iraq.**

On January 18, 2001, the U.N. 661 Committee approved contract number M/09/25 between Rosnefteimpex and SOMO for the sale and export from Iraq of 4 million barrels of Basrah Light oil and 2 million barrels of Kirkuk crude oil.<sup>43</sup> In late February 2001, Rosnefteimpex sold to Bayoil approximately 2 million barrels of Basrah Light crude oil purchased from Iraq under contract M/09/25. The pricing formulas for the sales of this oil to Rosnefteimpex and Bayoil were based upon North America being the final destination of the oil.<sup>44</sup> On or around February 25, 2001, Bayoil finished loading this oil onto the vessel *Hellespont Paradise*, which then set sail from the Iraqi port of Mina al-Bakr in the Persian Gulf.

Later in 2001, the U.N. Oil Overseers asked Bayoil and Rosnefteimpex to provide documentation establishing that this cargo of Iraqi oil was, in fact, delivered to North America. Both Bayoil and Rosnefteimpex stated that North America was the final destination, but did not provide the requested supporting documentation.

Evidence obtained and analyzed by the Minority Staff indicates that, contrary to Bayoil's and Rosnefteimpex's statements to the United Nations, the Iraqi oil loaded onto the *Hellespont Paradise* was never delivered to North America, but instead sold in Europe. As explained below, Bayoil obtained substantial trading gains from the purchase and sale of futures contracts from this switch in destinations, and possibly additional sales gains from the price differential between the North American and European markets.

These illicit revenues were generated at a time when Bayoil was facing increased fees for Iraqi oil due to Saddam Hussein's demands for the payment of illegal surcharges on exported oil. In addition to possibly being used to finance the payment of these surcharges, the illicit sale to Europe of oil that was purchased at a discount due to a stated destination of North America resulted in a loss of income to the U.N. escrow account. Hence, the evidence indicates that Bayoil actions also deprived the U.N. escrow account of funds to be held in trust for the humanitarian needs of the Iraqi people.

**a. Bayoil and Rosnefteimpex Provided the United Nations with False Information about the Timing, Transport, and Final Destination of Iraqi Oil that Rosnefteimpex Purchased from Iraq and Sold to Bayoil.**

According to Bayoil records, after finishing loading on February 25, 2001, the *Hellespont Paradise* set sail for the port of Ain Sukhna in the Red Sea, at the southern entry point of the SUMED pipeline. After arriving at Ain Sukhna on March 7, 2001, the *Hellespont Paradise* discharged its entire cargo.<sup>45</sup>

Bayoil's records regarding what happened to the oil after it was discharged at Ain Sukhna are unclear and contradictory. Most of the oil was shipped through the pipeline; whether all the oil was shipped is unclear. The U.N. Oil Overseers repeatedly asked Bayoil for information and documentation identifying the ship that loaded the oil from the SUMED pipeline, where the oil was transported, dates of loading and discharge, and the volumes loaded and discharged. Bayoil refused to provide the specific information requested.

<sup>43</sup> U.N. Contract Number M/09/25, Bates BAY18-01000 (Exhibit 12).

<sup>44</sup> See, e.g., SOMO Bill of Lading, Bates BAY18-01033; SOMO Certificate of Origin, Bates BAY18-01034; and SOMO Commercial Invoice, Bates BAY18-01032. Correspondence between Rosnefteimpex and the financing bank, Credit Agricole Indosuez (Suisse) S.A., Geneva, Bates BAY18-01030-1, also reflected "North America" as the destination of the oil aboard the *Hellespont Paradise*. (Exhibit 13).

<sup>45</sup> See, e.g., Bayoil spreadsheet identifying Bayoil shipments of Iraqi oil (Bayoil excel FILE NAME: SHARED\BOARD2001.xls), Bates BAYOILUSA008637-008638 (Exhibit 14).

On June 7, 2001, the U.N. Oil Overseers sent a letter to Bayoil requesting documentation regarding the final destination of certain cargoes of oil Bayoil had recently exported from Iraq, including the cargo of oil aboard the *Hellespont Paradise* that had left Iraq on February 25, 2001.<sup>46</sup>

At the same time, the U.N. Oil Overseers also sent a letter to Rosnefteimpex requesting the same information about the oil it had purchased from Iraq.<sup>47</sup>

On July 14, 2001, Bayoil responded to the Oil Overseers' request, stating it was "perplexed" by their request for information, but "exclusively as a matter of courtesy" would nonetheless provide information "in the spirit of cooperation." For the eight Bayoil cargoes of Iraqi oil loaded from Mina al-Bakr between January 20, 2001 and March 22, 2001, Bayoil provided the vessel name, quantity of oil loaded, bill of lading date, destination, and whether the oil had been routed through the SUMED or around the Cape of Good Hope.<sup>48</sup> With respect to the *Hellespont Paradise* cargo with a bill of lading dated February 25, 2001, Bayoil stated the vessel carried 2,103,164 barrels of oil and its final destination was North America. Bayoil did not provide any supporting documentation.

On August 20, 2001, "S. Issakov" of Rosnefteimpex sent a fax to "Mr. A. Kramer," one of the U.N. Oil Overseers, stating the following:

"[I]t is our understanding that your Office maintains concerns over final destination of vessel 'Hellespont Paradise', [Bill of Lading] 25.02.01.

According to our information the final delivery of Basrah Light corresponding to the shipment from 'Hellespont Paradise' was delivered April 2, 2001 to 'Valero' (USA) from lighter of the 'Rich Dacheff', lightered from 'Astro Gama' routed via Suez.

We are providing this information as a courtesy to your office, despite our previous correspondence in this respect.

We hope this clarification of delivery vessels for the above mentioned shipment should finalize this matter.

Best regards,

S. Issakov"<sup>49</sup>

This fax from Rosnefteimpex correctly states that the *Hellespont Paradise* loaded oil from Iraq on February 25, 2001.<sup>50</sup> The fax added that the oil was transported "via Suez" to the vessel *Astro Gamma* and then delivered to "Valero (USA)." Valero Energy Corporation is an American company that operates a number of refineries in the United States, most of which are located in the Gulf Coast region.<sup>51</sup>

<sup>46</sup> Interview with U.N. personnel (8/9/05).

<sup>47</sup> *Id.*

<sup>48</sup> Memorandum dated July 14, 2001, from David Chalmers of Bayoil to U.N. Oil Overseers, Bates BAYOILUSA015393 (Exhibit 3); see also Minority Staff Report at 58-62.

<sup>49</sup> Fax dated August 20, 2001, from "S. Issakov," Rosnefteimpex, to "Mr. A. Kramer," U.N. Oil Overseer, Bates BAYOILUSA014004 (Exhibit 15). The Subcommittee believes that "S. Issakov" refers to Sergey Issakov, a Russian citizen who received a number of oil allocations issued by Iraq to Rosnefteimpex. See, e.g., "Report on Oil Allocations Granted to the Russian Presidential Council," Exhibits RPC FN 66, 87.

<sup>50</sup> The SOMO Bill of Lading, Bates BAY18-01033, SOMO Certificate of Origin, Bates BAY18-01034, SOMO Commercial Invoice, Bates BAY18-01032, and various Bayoil records all reflect February 25, 2001 as the Bill of Lading date for the *Hellespont Paradise*. See Exhibit 13.

<sup>51</sup> The Rosnefteimpex fax provides the additional detail that the oil was delivered to Valero on April 2, 2001, from the *Astro Gamma* via the lighter vessel named the *Rich Dacheff* [sic]. Lightering is a common practice in the oil industry in which oil is transferred from a larger vessel to one or more smaller vessels when the larger vessel is unable to navigate in shallow waters or dock at a port facility.

Shipping records obtained by the Subcommittee, however, provide conclusive evidence that the *Astro Gamma* never loaded any oil from the *Hellespont Paradise*. The Subcommittee obtained the records of the voyage instructions for the *Astro Gamma* from Lone Star R.S. Platou, Inc., the shipbroker that chartered the *Astro Gamma* for Bayoil. These shipping records show that the *Astro Gamma* loaded Iraqi oil at the Mediterranean port of Sidi Kerir on February 12, and sailed on February 13, 2001. Bayoil records reflect similar information, namely that the *Astro Gamma* loaded 1.8 million barrels of oil at Sidi Kerir on February 13, 2001.<sup>52</sup> In contrast, the *Hellespont Paradise* loaded oil from the Iraqi port of Mina al-Bakr on February 25, 2001. Hence, the actual shipping records of the *Astro Gamma* indicate the *Astro Gamma* was filled with 1.8 million barrels of oil and left port in the Mediterranean nearly two weeks before the *Hellespont Paradise* loaded oil from Iraq.

After departing Sidi Kerir, the *Astro Gamma* sailed directly to Gibraltar, where it took on bunker oil for its transatlantic voyage. From Gibraltar, the *Astro Gamma* sailed directly to the U.S. Gulf Coast, where it arrived on March 17, 2001. By the time the *Hellespont Paradise* arrived at the SUMED pipeline on or about March 7, the *Astro Gamma* was in the Atlantic Ocean, on its way to the Gulf of Mexico. Hence, the *Astro Gamma* could not have loaded any oil from the *Hellespont Paradise*.<sup>53</sup>

Table 3 summarizes the information contained in the contemporaneous records of the *Astro Gamma*'s voyage to the United States.

**Table 3**  
**Shipping Records on the Voyage of the *Astro Gamma***  
**February - April 2001**

<u>Date</u>	<u>Event</u>
2/12/01	Bayoil took delivery of <i>Astro Gamma</i> from Owner at Sidi Kerir Terminal #6, and vessel commenced loading 1,847,551.73 net barrels Basrah Light crude oil.
2/13/01	Vessel sailed from Sidi Kerir enroute to Gibraltar for bunkers.
2/20/01	Vessel arrived at Gibraltar and took on bunkers.
2/22/01	Vessel sailed from Gibraltar for North America.
3/17/01	Vessel arrived South Sabine lighter area in the US Gulf of Mexico.
3/22/01	Vessel commenced lightering ~ 550,000 barrels to the EAGLE ATLANTA that discharged them to Premcor Neaderland.
3/24/01	Vessel commenced lightering ~ 94,000 barrels to the GENMAR BOSS that discharged them to Diamond Shamrock.
3/30/01	Vessel commenced lightering ~ 550,000 barrels to the EAGLE CORONA that discharged them to Premcor Neaderland.
3/31/01	Vessel commenced lightering ~ 129,000 barrels to the GENMAR ALEXANDER that discharged them at Corpus Christi.
4/01/01	Vessel commenced lightering ~ 525,000 barrels to the RICH DUCHESS that discharged them to Valero in Texas City.

*Source: Table prepared by Minority Staff, Senate Permanent Subcommittee on Investigations. Records provided to the Subcommittee by Lone Star R.S. Platou, Inc., a shipbroker contracted by Bayoil to charter the *Astro Gamma* in February 2001.*

<sup>52</sup> See Exhibit 14.

<sup>53</sup> Exhibit 16 contains a sample of these shipping records.

The Minority Staff has been unable to find any credible evidence that the oil aboard the *Hellespont Paradise* was ever delivered to North America. Accordingly, Minority Staff has concluded that the information Bayoil provided to the U.N. Oil Overseers regarding the final destination of the oil exported from Iraq on the *Hellespont Paradise* was materially false. Similarly, the Minority Staff has concluded the information provided by Rosnefteimpex to the United Nations about the *Astro Gamma*'s role in picking up oil from the *Hellespont Paradise* was materially false.

**b. The False Information Provided by Bayoil and Rosnefteimpex Misled the United Nations.**

On November 28, 2001, the U.N. Oil Overseers sent a letter to Bayoil, reiterating their request for specific information and documentation related to the shipment of oil loaded on the *Hellespont Paradise* on February 25, 2001.<sup>54</sup> The U.N. Oil Overseers wrote:

"Further to various correspondence and telephone conversations since the beginning of June 2001 we still require some important pieces of information with respect to the oil shipped on the abovementioned two vessels.

For your convenience we restate the information we require.

1) The crude oil on the MT *Hellespont Paradise* (B/L date 25 February 2001); Apart from some 40,000 tonnes this oil this [sic] was apparently shipped via Sumed and on the MT *Astro Gamma* to the USA/Caribs. We are still looking for the relevant logistical information (names(s) of the vessel(s), loading date(s) and discharge port(s) with respect to the shipment of the remaining volume (approx. 40,000 tonnes) from Sidi Kerir to the USA/Caribs. . . .

As nearly six months have now passed since we first requested this information, we would like to advise that, in absence of a prompt response, we have to inform the United Nations Sanctions Committee of this situation.

Best Regards

cc: Italtech  
Rosnefteimpex"

This letter shows that the United Nations had been misled by the Rosnefteimpex fax, in that the U.N. letter repeats the inaccurate information that most of the oil on the *Hellespont Paradise* had been carried to the United States by the *Astro Gamma*.<sup>55</sup> The U.N. letter conveys this misinformation to Bayoil. The Subcommittee also located in Bayoil's files a copy of the August 2001 fax sent by Rosnefteimpex to the United Nations containing this misinformation. The presence of this fax in Bayoil's files suggests that Bayoil was fully aware of the source of the misinformation provided to the United Nations. It is unknown whether Rosnefteimpex had consulted with Bayoil prior to sending the inaccurate fax to the United Nations or simply sent the fax to Bayoil after sending it to the United Nations.<sup>56</sup>

Although Rosnefteimpex obtained the oil in question from Iraq, sold it to Bayoil, and communicated directly with the United Nations about its disposition, it was Bayoil that actually chartered the *Hellespont Paradise* and *Astro Gamma*, transported the oil, and later sold the oil to third parties. These actions mean Bayoil had first hand knowledge of the true facts involving these

<sup>54</sup> See Exhibit 5.

<sup>55</sup> In an interview on August 10, 2005, a former U.N. Oil Overseer confirmed that the Oil Overseers had received the Rosnefteimpex fax dated August 20, 2001, and relied on the information about the *Astro Gamma* in the Rosnefteimpex fax for the information included in the Overseers' November 28, 2001 letter. The former Overseer indicated that the Overseers nonetheless persisted in trying to verify the information with documentation.

<sup>56</sup> The prior Minority Staff Report found that, on occasion, Bayoil drafted documents for the companies from which it purchased Iraqi oil, including Rosnefteimpex, and asked these companies to send the supplied correspondence over their own signatures. See, e.g., Minority Staff Report at 34, footnotes 105-106. The Minority Staff has been unable to determine whether Bayoil authored the initial draft of this fax or contributed to its wording prior to its transmittal by Rosnefteimpex to the United Nations.

oil shipments. At no time, however, did Bayoil inform the United Nations that the November 2001 letter contained inaccurate information about the *Hellespont Paradise* and *Astro Gamma*, despite ample opportunity and despite knowing the importance placed by the United Nations on this information. By failing to correct the inaccurate information in the letter, Bayoil contributed to the Rosnefteimpex fax that misled the United Nations.

**c. Bayoil Appears to have Diverted at least 4 Million Barrels of Iraqi Oil to Unapproved Destinations.**

Upon obtaining evidence establishing that the *Astro Gamma* did not obtain its oil from the *Hellespont Paradise*, the Minority Staff sought to answer two resulting questions regarding those shipments: (1) what was the origin of the oil that the *Astro Gamma* delivered to the United States; and (2) what was the disposition of the Iraqi oil loaded onto the *Hellespont Paradise* on February 25, 2001?

Based upon an examination of Bayoil's shipping and financial records for all shipments of Iraqi oil during the months of January, February, and March 2001, an examination of purchase records supplied by a U.S. company that purchased some of the oil from one of these shipments, and an analysis of market conditions at the time of these shipments, the Minority Staff has concluded the following:

- (1) The Iraqi oil loaded onto the *Astro Gamma* at Sidi Kerir appears to have been delivered to the SUMED pipeline by a vessel named the *Golden Fountain*. The *Golden Fountain's* oil was destined to be sold in Europe, but Bayoil appears to have misdirected it to North America via the *Astro Gamma*.
- (2) The Iraqi oil delivered to the SUMED pipeline by the *Hellespont Paradise*, and which was destined for North America, appears to have been sold by Bayoil for delivery in Europe.

The Minority Staff has also concluded, from examining Bayoil's financial records and prevailing market conditions, that Bayoil generated at least \$7.5 million in illicit trading gains from these transactions. By taking advantage of the price discount offered to purchasers of oil in North America to generate extra revenues by selling and delivering the oil in Europe, Bayoil also deprived the U.N. escrow account held for humanitarian purchases for the Iraqi people of the additional oil revenues that would have resulted if the oil had been priced higher on the basis of a European destination. The fact that Bayoil also delivered European-priced Iraqi oil to North America did not financially compensate the U.N. escrow account for this significant loss of funds for the Iraqi people. Moreover, as explained below, Bayoil may have even generated additional illicit revenues by selling European-priced oil in North America due to unusual price relationships between the North American and European oil markets that arose in late January and early February 2001.

**Iraqi Oil Destined for Europe But Delivered to North America.** The Minority Staff has concluded that the source of the crude oil for the mid-February sailing of the *Astro Gamma* to North America was the *Golden Fountain*, an oil tanker chartered by Bayoil to carry a cargo of 2 million barrels of Iraqi oil that Bayoil had purchased from Italtech in late January. The United Nations had authorized Italtech to purchase and export this oil from Iraq under U.N. contract number M/09/07. According to Bayoil's records, this cargo of oil was destined and priced for delivery in Europe.<sup>57</sup>

On January 24, 2001, the *Golden Fountain* finished loading about 2 million barrels of Iraqi oil at the Iraqi port of Mina al-Bakr, and immediately set sail for Ain Sukhna, the Red Sea entrance to the SUMED, arriving on February 5, 2001. Assuming a typical transit time through the SUMED of three to five days, this oil would have been available for re-loading at Sidi Kerir sometime between February 8 and 10, 2001. As indicated earlier, shipping records show that the *Astro Gamma* began loading at Sidi Kerir on February 12.<sup>58</sup>

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<sup>57</sup> See Exhibit 14.

<sup>58</sup> See Exhibit 15.



In examining Bayoil's records, the Minority Staff has been unable to find any other Bayoil cargoes discharged into the SUMED during this period that could have been the source of the oil loaded onto the *Astro Gamma*. Bayoil's records account for the disposition, to either North American or European destinations, of all other Bayoil cargoes delivered to the SUMED during this period. Exhibit 22 displays this information in a flowchart format.

Bayoil's financial records provide additional evidence that the *Golden Fountain* was the source of oil on the *Astro Gamma*. In general, Bayoil designated each of its shipments of oil from Iraq by the common symbol "V" followed by a 5-digit number. In instances where a cargo of Iraqi oil was transferred from one vessel onto another vessel, Bayoil used the same 5-digit number to track the voyage of the subsequent vessel. In the case of the *Golden Fountain* and the *Astro Gamma*, Bayoil used the same designation, "V-50128," for both shipments, indicating that both ships carried the same cargo of Iraqi oil.

**Iraqi Oil Destined for North America But Delivered to Europe.** Bayoil's spreadsheets tracking its shipments of Iraqi oil are uncharacteristically blank with respect to the 2 million barrels of Iraqi oil that were loaded aboard the *Hellespont Paradise* at Mina al-Bakr on February 25, 2001.<sup>59</sup> The *Hellespont Paradise* delivered this oil to the SUMED pipeline, and the oil arrived at Sidi Kerir, the northern terminus of the pipeline, on or around March 7, 2001. The Bayoil spreadsheets do not identify the final purchaser or destination for that oil.

Bayoil records do indicate, however, that on March 13 and 23, 2001, Bayoil sold two cargoes of Iraqi oil at Sidi Kerir, totaling about 1.8 million barrels, to ExxonMobil.<sup>60</sup> In this respect, Bayoil's sales records are consistent with the purchase records provided by ExxonMobil for these two shipments.<sup>61</sup> In light of the typical three- to five-day transit time for oil to pass through the SUMED pipeline, the oil from the *Hellespont Paradise* would have been available for delivery just prior to the time Bayoil delivered the first of the two cargoes it sold to ExxonMobil at Sidi Kerir. Accordingly, it appears that the barrels of Iraqi oil aboard the *Hellespont Paradise* were diverted by Bayoil from its approved destination of North America and instead sold to ExxonMobil, which then delivered the oil to a refinery in Europe. As explained below, Bayoil reported "hedge gains" of nearly \$800,000 from this shipment and may have generated substantial additional gains by selling oil discounted for North American delivery into the higher-priced European market.

The Minority Staff has located two Bayoil documents which identify the *Golden Fountain* (rather than the *Hellespont Paradise*) as the source of the oil that was sold to ExxonMobil in mid-March.<sup>62</sup> The Minority Staff has concluded it is highly unlikely, however, that these two documents are accurate. Market conditions in early 2001 would have made it extremely unprofitable to store the oil at the SUMED for the six weeks between the arrival of the *Golden Fountain* on February 5 and mid-March, when the oil at issue was sold to ExxonMobil.

Throughout February 2001, both the London and New York crude oil markets were in backwardation, meaning that current prices for oil were higher than prices on the futures market to sell the oil for delivery in a subsequent month. Normally, in a backwardated market, sellers sell as

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<sup>59</sup> See Exhibit 14.

<sup>60</sup> *Id.*

<sup>61</sup> The documents Bayoil provided ExxonMobil in connection with these oil sales did not identify the date on which the oil was originally lifted from Iraq, or the ship from which the oil was loaded. The U.N.-approved contract provided by Bayoil to ExxonMobil identifies Italtel as the original purchaser under contract M/09/07. The documentation provided by Bayoil to ExxonMobil did not identify any destination restrictions. After purchasing the oil from Bayoil, ExxonMobil took the oil to a refinery in Sicily.

<sup>62</sup> The entry for *Golden Fountain* shipment "V-50128" in Bayoil's spreadsheet tracking the disposition of each of its shipments of Iraqi oil shipment states that 964,154 barrels from the *Golden Fountain* were sold to ExxonMobil at Sidi Kerir on March 13-14, and another 868,334 barrels were sold to ExxonMobil at Sidi Kerir on March 23-24. See Exhibit 14. A Bayoil document entitled "Transaction Detail by Account" also identifies ExxonMobil as the purchaser of the cargo from the *Golden Fountain*. (Exhibit 17).

much of their oil as possible in the spot market or near-term futures market to take advantage of the higher near-term prices. From a market perspective, then, it would have made little sense for Bayoil to store the 2 million barrels of oil from the *Golden Fountain* at Sidi Kerir for nearly six weeks, from early February until mid-March. Not only would the oil have lost value, but Bayoil would have had to pay substantial storage costs, on the order of hundreds of thousands of dollars, as this asset declined in value.<sup>63</sup> A more logical course would have been for Bayoil to immediately sell and deliver the cargo from the *Golden Fountain*. Indeed, the Minority Staff believes Bayoil engaged in this more logical course of action, transferring the oil from the *Golden Fountain* onto the *Astro Gamma* without delay, and then directing the *Astro Gamma* to set sail for North America.

The Minority Staff therefore concludes that the cargo from the *Golden Fountain* was delivered to North America, and that the *Hellespont Paradise* was indeed the source of the oil that Bayoil sold to ExxonMobil in mid-March and which ExxonMobil then disposed of in Europe.

Table 4 reflects the Minority Staff's conclusions regarding the actual disposition of the oil cargoes that originated in Iraq aboard the *Golden Fountain* and *Hellespont Paradise*.<sup>64</sup>

**Table 4**  
**Oil Shipments on the *Golden Fountain* and the *Hellespont Paradise***  
**January - March 2001**

Vessel	Loading Date Mina al-Bakr	Barrels Loaded	Approved Destination	SUMED Arrival Date	Actual Destination
<i>Golden Fountain</i>	1/24/01	2,007,767	Europe	2/5/01	1,847,552 barrels delivered to US Gulf Coast via <i>Astro Gamma</i>
<i>Hellespont Paradise</i>	2/25/01	2,103,164	N. America	3/7/01	1,850,488 barrels delivered to Europe via sale to ExxonMobil

Source: Table prepared by Minority Staff, Senate Permanent Subcommittee on Investigations.  
Bayoil shipping and financial records; Lone Star R.S. Platou voyage records for the *Astro Gamma*;  
ExxonMobil oil purchase records.

Bayoil's general ledger provides additional support for these conclusions. For each shipment of Iraqi oil, Bayoil kept records of the expenses and revenues associated with that shipment in a document it called the "General Ledger" for that shipment. Bayoil maintained a single general ledger entry for all such financial information for the three oil shipments on the *Golden Fountain*,

<sup>63</sup> Bayoil's document entitled "Transaction Detail by Account," which appears to identify and account for all expenses and receipts for each Bayoil shipment, lists a payment of \$36,702.53 to the SUMED for storage costs for the *Golden Fountain*. See Exhibit 17. Storage costs at Sidi Kerir are 15 cents per barrel for crude oil stored 14 days or less; 23 cents per barrel on oil stored for more than 14 days (up to 30 days); and, for any period exceeding 30 days, a proration based on 23 cents per barrel per month. "Terms and Conditions of Storage Service of Sidi Kerir Discharged Crude Oil." (Exhibit 18). To store 1.85 million barrels of oil at Sidi Kerir from mid-February to mid-March, therefore, would have cost Bayoil approximately \$425,000 in storage costs alone. The Minority Staff was unable to locate any storage expenses of such a magnitude in Bayoil's ledgers.

The ledger entry of \$36,702, which Bayoil paid to SUMED for "storage costs" at Sidi Kerir, represents the amount it would have cost to store approximately 160,000 barrels of crude oil at Sidi Kerir for between 14 and 30 days – the exact difference between the amount of oil originally carried by the *Golden Fountain* and the amount taken by the *Astro Gamma* to North America. Of the 2,007,767 barrels of Iraqi oil the *Golden Fountain* transported from Iraq, the *Astro Gamma* delivered 1,847,552 barrels to North America, leaving 160,215 barrels unaccounted for. These 160,215 barrels were apparently stored at Sidi Kerir for 14 to 30 days; what happened to them after that remains unclear.

<sup>64</sup> Table 4 also reflects the discrepancy between the amounts of oil originally loaded from Iraq and the amounts of oil ultimately delivered in the United States and Europe. In addition to the "missing" 160,215 barrels from the *Golden Fountain*, of the 2,103,164 barrels the *Hellespont Paradise* lifted from Iraq, 1,850,488 barrels were sold to ExxonMobil in Europe, leaving 252,676 barrels unaccounted for. The Minority Staff has been unable to determine where these 412,891 barrels from these two ships were delivered but it is possible this oil was sold for additional profit in unapproved markets.

*Astro Gamma*, and *Hellespont Paradise*.<sup>65</sup> The commingling of the financial information for these three shipments indicates that the three shipments were related. If, indeed, the oil aboard the *Golden Fountain* had been delivered to Europe, and, independently, the oil aboard the *Hellespont Paradise* had been delivered to North America, as required by the relevant U.N. contracts, there would have been no reason to combine such distinct shipments in the same general ledger entry. On the other hand, if the cargo from the *Golden Fountain* that should have been sold in Europe was delivered instead by the *Astro Gamma* to North America, and the cargo that should have been delivered to North America by the *Hellespont Paradise* was instead sold in Europe to make up for the redirected cargo from the *Golden Fountain*, it makes sense that Bayoil combined the financial records for all three shipments in the same general ledger entry.

**d. Bayoil's Delivery of Iraqi Oil to Unapproved Destinations Violated OFF Requirements and U.S. Regulations Restricting Trade with Iraq.**

OFAC regulations in effect during the OFF program authorized U.S. persons to trade or import Iraqi oil from a third-party only when and if that third-party had specific approval from the United Nations to export that oil from Iraq. These regulations meant that a U.S. person was not authorized to import into the United States – or even purchase for resale outside the United States – Iraqi oil from a third party who lacked U.N. approval to sell the oil. The key OFAC regulation stated, in part, the following:

§575.526 Dealings in and importation of certain Iraqi-origin petroleum and petroleum products authorized.

(a) United States persons are authorized to deal in, and to import into the United States, Iraqi-origin petroleum and petroleum products, the purchase and exportation from Iraq of which have been authorized by the 661 Committee or its designee and, if otherwise required pursuant to this part, by the Office of Foreign Assets Control.<sup>66</sup>

All U.N. contracts approving the sale of Iraqi oil under the OFF program specified that the oil had to be exported to the destination identified in the contract, since the price of the oil was partially determined by the specified destination. Oil exported to North America was priced lower than oil exported to Europe due to the added expense for North American purchasers of transporting the oil across the Atlantic Ocean and other market factors. Shipments of Iraqi oil to destinations not specified in the contract were not authorized by the United Nations, since selling discounted oil in higher-priced markets would deprive the U.N. escrow account of the added revenue that otherwise would have been generated by the sale if the oil had been priced according to the actual destination.

Since destination-switching was not allowed under the U.N.-approved contracts, U.S. persons were not authorized to buy, trade, or import oil transported to an unspecified and unapproved destination. Accordingly, to the extent that Bayoil transported Iraqi oil to a destination other than the destination specified in the relevant U.N.-approved contract, Bayoil would have violated not only U.N. program requirements, but also OFAC regulations.

**e. Bayoil Appears to Have Generated at Least \$7.5 Million in Illicit Revenue by Delivering 4 Million Barrels of Iraqi Oil to Unapproved Destinations. This Illicit Revenue Provided Bayoil with a Source of Funds to Pay Higher Fees to Companies Paying Illegal Surcharges to Iraq.**

Bayoil records indicate that it generated revenues totaling nearly \$7.5 million by purchasing and selling futures contracts related to the redirected delivery of the cargoes aboard the *Golden Fountain* and *Hellespont Paradise*. In addition to these trading gains, due to the substantial price difference between Iraqi oil priced for sale in North America versus Europe and market conditions

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<sup>65</sup> See Exhibit 19.

<sup>66</sup> 31 C.F.R. §575.526 (2003).

at the time of the shipments, Bayoil could have generated additional illicit revenues on the order of several millions of dollars by selling the oil in unapproved markets.

**Trading Gains.** Bayoil's "General Ledger" entry for the *Golden Fountain* and *Hellespont Paradise* oil shipments indicates that in early February 2001 – a few days prior to the loading of the *Astro Gamma* – Bayoil began to engage in a large number of transactions in the futures markets.<sup>67</sup> With respect to the oil on the *Golden Fountain*, Bayoil's ledger lists a "Hedge Gain" of \$6,689,067.12. For the oil on the *Hellespont Paradise*, Bayoil's ledger shows a "Hedge Gain" of \$781,330. In aggregate, these trading revenues exceed \$7.47 million (see Table 5).

**Table 5**  
**Trading Gains from Shipments with Changed Destinations**  
**February - March 2001**

Vessel	Destination in UN Contract	Final Destination of Oil	Trading Gains
<i>Golden Fountain</i>	Europe	US Gulf Coast (via <i>Astro Gamma</i> )	\$6,689,067
<i>Hellespont Paradise</i>	N. America	Europe (sold 3/13/01 and 3/23/01)	\$781,330
<b>Total Trading Gains</b>			<b>\$7,470,397</b>

Source: Table prepared by Minority Staff, Senate Permanent Subcommittee on Investigations. Information taken from Bayoil "General Ledger" for shipment Ven. No. V-50128.

**Additional Sales Gains.** In addition to the trading gains recorded on Bayoil's general ledger from trades on the futures markets, because oil destined for North America was sold at a much lower price than oil priced for sale in Europe – as much as \$4 to \$4.50 per barrel less during the relevant period of the OFF program – the sale of a cargo priced for North America in Europe could have produced substantial gains arising from this price differential. A cargo containing 2 million barrels of oil, for example, could have produced sales gains on the order of several millions of dollars.<sup>68</sup>

Because Bayoil has refused to answer questions posed by the Subcommittee about the oil shipments at issue in this Report, the Minority Staff has been unable to form a complete picture of Bayoil finances related to these shipments. The trading gains cited in Table 5 likely do not reflect the full extent of Bayoil's illicit revenues arising from the switching of destinations for the suspect shipments. The switching of these destinations could have earned Bayoil additional millions of dollars in illicit revenues.<sup>69</sup>

<sup>67</sup> The ledger shows multiple payments to a commodities broker named "Carr Futures"; it does not describe the particular types of financial instruments Bayoil purchased or sold. See Exhibit 19.

<sup>68</sup> It is also possible that Bayoil profited from redirecting the *Golden Fountain's* cargo from Europe to North America. In early February 2001, when Bayoil appears to have transferred oil from the *Golden Fountain* to the *Astro Gamma* for resale in North America, the price curves for Brent crude oil (the reference price for crude oil delivered in Europe) and West Texas Intermediate (WTI) crude oil (the reference price for crude oil delivered to North America) indicate that it could have been more profitable for a trader to sell oil for delivery to North America in March rather than deliver the oil to Europe in February. At that time, the price of crude oil for delivery to North America in March was higher than the price of crude oil for delivery to Europe in February. On February 7, 2001, for example, the price of WTI for delivery into the United States in March was \$31.27 per barrel, while the spot price for Brent crude oil for immediate delivery in Europe was \$29.10 per barrel. Even taking transatlantic shipping costs into account, this significant price differential would have provided a price incentive for Bayoil to redirect the oil on the *Golden Fountain* for delivery to the United States in March, rather than immediate delivery to Europe in February.

<sup>69</sup> The Bayoil document entitled "Transaction Detail by Account" suggests that, despite its trading gains and possible sales gains, Bayoil's net costs may have exceeded its net revenues for these shipments. See Exhibit 17. The document identifies \$89,028,154 in costs for crude purchases for the *Golden Fountain* and the *Hellespont Paradise*, and \$86,038,890.86 in revenue from gross crude oil sales from those shipments. About \$2 million of Bayoil's costs involved the payment by Bayoil of substantial "fees" or "commissions" to Italtech and Rostnefteimex which, in turn, apparently used the funds to finance their payment of illegal surcharges to the Iraqi Government, as explained in Section III.A.

Such illicit gains arose largely from Bayoil's taking advantage of price differentials for Iraqi oil in various markets and its apparent willingness to sell Iraqi oil in unapproved markets, in contravention of the U.N. contracts and OFF program requirements. These gains appear to have enriched Bayoil, its initial contracting partners, and the Hussein regime at the expense of the Iraqi oil revenues held in escrow by the United Nations for the humanitarian needs of the Iraqi people.

When, around the same time as the Bayoil inquiry in 2001, the United Nations uncovered a similar incident involving a Swiss oil trading company, Glencore International, AG, Glencore was not allowed to keep any illicit gains. Instead, the United Nations required Glencore to reimburse the U.N. OFF escrow account for the full amount of illicit profits it was found to have obtained as a result of delivering to Europe a cargo of Iraqi oil priced for delivery to North America – or else be prohibited from obtaining any further OFF oil contracts. When confronted with the information obtained by the U.N. Oil Overseers and the 661 Committee that Glencore had illegally diverted Iraqi oil to a European destination, the Swiss Government reported:

“In the course of executing contract M/09/44 approved on 2 February 2001 under the ‘oil-for-food’ programme, the company discharged a shipment of 1 million barrels of Iraqi crude oil from the vessel “Front Maple” in Croatia, whereas the commercial documents, particularly the letter of credit, drawn up by the company for calculating the purchase price of the crude oil gave the destination as the United States. Since the company had paid the purchase price for Iraqi crude oil destined for the United States market, in other words, some \$US 3 million less than the price of crude oil destined for the European market, it unlawfully enriched itself by this amount.”<sup>70</sup>

Glencore asserted its innocence, but nevertheless paid the \$3 million into the U.N. escrow account – the amount by which the company was found to have “unlawfully enriched itself” by switching destinations.<sup>71</sup>

In sum, Bayoil appears to have generated a minimum of \$7.5 million in illicit revenues from misdirecting two cargoes of Iraqi oil in the first quarter of 2001. These illicit revenues provided Bayoil with a source of funds to pay several millions of dollars of additional fees for Iraqi oil to Rosnefteimpex, Italtex and two other companies that owed Iraq over \$7 million in illegal surcharges in the first quarter of 2001.

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above. In addition, in late January 2001, Bayoil apparently agreed to tie the price it would pay for the *Golden Fountain*'s oil to market prices at a particular point in time – early February 2001 – when the price of crude oil happened to spike upwards by a few dollars per barrel. Within a few days after Bayoil paid for the cargo, the price of crude oil abruptly fell by a few dollars per barrel. It appears, therefore, that the value of the *Golden Fountain*'s cargo may have fallen by as much as \$2 to \$3 per barrel immediately after Bayoil took possession of the oil, which would amount to a loss for Bayoil of between \$4 million and \$6 million for the entire cargo. If indeed, Bayoil were faced with the possibility of these substantial losses due to an adverse market, this factor would have provided still another powerful incentive for Bayoil to find creative ways to generate revenues from these cargoes and minimize its losses. Whether Bayoil ultimately obtained a net profit or net loss from these particular shipments remains unclear. In either event, however, the facts suggest that its misdirection of oil cargoes to unapproved markets enabled Bayoil to generate additional, illicit revenues at the expense of the funds held in the U.N. escrow account for the humanitarian needs of the Iraqi people.

<sup>70</sup> State Secretariat for Economic Affairs, “Report of investigation, Irregularity in the course of an oil transaction under the ‘oil-for-food’ programme involving Glencore International AG, Baar, Switzerland.” (October 8, 2001). (Exhibit 20).

<sup>71</sup> Iraqi records obtained after the OFF program ended state that Glencore also paid over \$3 million in illegal surcharges for the 12 million barrels of oil it had purchased from Iraq under U.N. Contract No. M/09/44. SOMO Surcharge Document (relevant excerpt is Exhibit 21).

3. **The U.S. Failure to Investigate or Help the United Nations to Investigate Suspect Bayoil Shipments Involving Several Million Barrels of Iraqi Oil Impaired Oversight of the OFF Program and Efforts to Deter the Payment of Illegal Surcharges.**
4. **The Failure of the U.N. Office of Iraq Programme to Notify the U.N. 661 Committee of Bayoil's Failure to Provide Requested Documentation on Suspect Shipments involving Several Million Barrels of Iraqi Oil Impaired Oversight of the OFF Program and Efforts to Deter the Payment of Illegal Surcharges.**

As detailed in the prior Minority Staff Report, U.S. Government agencies, particularly OFAC, failed to provide the assistance requested by U.N. personnel to obtain information from Bayoil regarding suspect shipments of Iraqi oil. Since that Report was issued, additional information has emerged indicating that the U.N. Office of Iraq Programme (OIP), headed by Benon Sevan, also failed to notify the U.N. 661 Committee of the suspect Bayoil shipments and ask the 661 Committee to require Bayoil to provide the requested information. Both of these failures impaired effective oversight of the OFF program and the efforts to deter the payment of illegal surcharges.

By 2001, the U.N. Oil Overseers had identified a number of Bayoil shipments raising concerns, due to the possibility that the transshipments used by Bayoil provided a potential source of funds for the payment of illegal surcharges to Iraq. As this Report demonstrates, the information the U.N. Oil Overseers unsuccessfully sought to obtain about the Bayoil shipments was significant and would have provided important information concerning: (1) the actual disposition of at least 4 million barrels of Iraqi oil; (2) Bayoil's compliance or noncompliance with OFF and OFAC contract requirements; and (3) Bayoil's methods for generating sufficient revenues to pay substantial fees and commissions to the non-U.S. companies paying illegal surcharges to the Government of Iraq.

The potential for companies to use transshipments through the SUMED pipeline for destination-switching and illicit revenues was a significant concern within the United Nations during the surcharge period. The U.N. Oil Overseers asked a number of companies about suspected SUMED transshipments and, soon after learning about the practice and the difficulty of determining the final destination of transshipped oil, prohibited the practice altogether.<sup>72</sup>

At the same time as the Overseers were seeking information about suspected transshipments from Bayoil, the U.N. Oil Overseers were also following up on information they had received that Glencore had switched destinations on one of its shipments. Perhaps because they had irrefutable documentary evidence, the Oil Overseers succeeded in bringing the Glencore matter to the attention of the U.N. 661 Committee. During the 661 Committee's discussion of the matter, the U.S. representative to the Committee spoke in favor of formally asking Switzerland to conduct an investigation into Glencore's activities, conditioning further approvals of Glencore contracts upon repayment of any illicit profits to the U.N.'s OFF escrow account for Iraq, and warning Glencore that further irregularities would lead the 661 Committee to bar Glencore from future OFF contracts. In this instance, the 661 Committee voted unanimously to request Switzerland to investigate the allegations; following the Swiss investigation Glencore reimbursed the U.N. escrow account for the \$3 million in unlawful enrichment Glencore had obtained.

In contrast to the Glencore case, the U.N. Oil Overseers were unable to initiate an in-depth inquiry into Bayoil's activities. Bayoil refused to provide requested documentation about the suspect shipments, the Office of Iraq Programme refused to bring the Overseers' concerns to the attention of the 661 Committee, and the Overseers' two requests to the United States for assistance in obtaining this information from Bayoil produced no result. In 2002, the U.N. Oil Overseers sent a memorandum to the Director of the Office of Iraq Programme, Benon Sevan, asking to bring the Bayoil shipments to the formal attention of the U.N. 661 Committee, as the Overseers had done with respect to Glencore. Mr. Sevan did not approve this request, however, apparently without providing

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<sup>72</sup> Subcommittee interviews of former U.N. Oil Overseer (5/5/05 and 8/10/05).

any explanation for his decision. The result was that the Bayoil matter was never formally presented to the 661 Committee.<sup>73</sup>

Based upon the 661 Committee's response to the information provided by the Oil Overseers about Glencore and other potential violators of the OFF program requirements, it is likely that, had the Bayoil matter been presented to it, the 661 Committee would have requested the United States to investigate and formally report back to the 661 Committee on the suspect shipments. Mr. Sevan's failure to bring information about the suspect Bayoil shipments to the Committee's attention impaired the United Nations' oversight of the OFF program and its ability to deter the payment of illegal surcharges to Iraq.

Moreover, had the United States provided the assistance requested by the U.N. Oil Overseers, had it been asked to conduct an investigation by the 661 Committee, or had it initiated its own inquiry into the suspect Bayoil shipments, U.S. authorities might have determined that Bayoil had generated millions of dollars in illicit revenue by redirecting shipments to unapproved destinations. The United States might also have determined that this illicit revenue provided the money Bayoil used to pay higher per-barrel fees or commissions being demanded by non-U.S. companies paying illegal surcharges to Iraq. Furthermore, the United States might have learned of Bayoil's preeminent role in importing into the United States 200 million barrels of Iraqi oil for which it financed at least \$37 million in illegal surcharges.

The failure of the United States to investigate the suspect Bayoil shipments, or to help the United Nations investigate them, impaired effective oversight of the OFF program, was an abdication of U.S. responsibility to enforce U.S. sanctions on Iraq against U.S. companies, and resulted in a missed opportunity to detect the generation of millions of dollars in illicit revenues generated by traders in Iraqi oil. These illicit revenues provided a source of funds for financing the payment of millions of dollars in illegal surcharges to the Hussein regime and were obtained at the expense of the funds held in trust by the United Nations for the humanitarian needs of the Iraqi people.

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<sup>73</sup> The information in this paragraph is based upon Subcommittee interviews with former U.N. personnel (8/9 and 10/05). Also, in its Comprehensive Report, the IIC stated that "a significant body of evidence demonstrates that Mr. Sevan did not administer the Programme in a transparent manner and did not report sanctions violations to the 661 Committee in a sufficient manner." IIC Management Report, Vol. III, at 71.

# **E X H I B I T S**

**TO**

**SUPPLEMENTAL REPORT  
ON  
BAYOIL DIVERSIONS OF IRAQI OIL  
AND  
RELATED OVERSIGHT FAILURES**

**PREPARED BY THE  
MINORITY STAFF  
OF THE  
PERMANENT SUBCOMMITTEE  
ON INVESTIGATIONS**

**RELEASED IN CONJUNCTION WITH THE  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OCTOBER 31, 2005, HEARING**





BAYOIL

TO: Mr. Peter Kolby, Chairman  
U.N. 661 Committee

FAX: [REDACTED]

FROM: David B. Chalmers, Jr.

DATE: June 25, 2001

[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

Dear Sirs:

I am enclosing a copy of a letter sent to an affiliated company, addressed to myself, from the office of The Oil Overseers, together with copies of letters sent to several oil contract holders. While the various companies may respond to the letters directly or through their respective U.N. Mission, I feel compelled to advise your office of our concerns regarding the motivations behind the sending of these letters.

Specifically, our concerns center on the compelling evidence of a long standing prejudice toward myself and the company I am affiliated with, extended to the companies we have contracted for supply, by the individual U.N. Overseers, Mr. Michel Tellings. In this connection, I would like to summarize some key points supporting our concerns as follows:

Firstly, Bayoil has from the beginning of the Oil-for-Food" program provided the office of The Oil Overseers regular well documented market information in the spirit of assisting The Overseers to achieve their sole mandate of establishing monthly price mechanisms which are reflective of fair market conditions. As such, since the start of the program until late last year, there were seldom differences between Bayoil's market assessments applicable for each monthly price mechanism and the final agreed formula between SOMO and the U.N. Overseers.

Beginning late last year, there has been consistent differences between fair market formulas proposed by lifters, and the formula which the office of the Overseers would accept from SOMO. Since most lifters, such as Bayoil, make such arrangements well in advance of each month, SOMO has endeavored to propose or submit prices consistent with lifters current assessments, often leading to a stalemate or outright rejection by the Overseers. This development is widely known to be due to the hard line approach of Mr. Tellings, including a departure of methodologies used to establish monthly formulas prior to his appointment, which has led to widely reported friction between Mr. Tellings and SOMO, as well as most established lifters such as Bayoil who regularly contested the price formula.

BAY04-01301

BAYOIL SUPPLY & TRADING LIMITED

Permanent Subcommittee on Investigations

Bayoil Diversions Report

EXHIBIT #1

U.N. 661 Committee

Page 2

The prejudice specifically directed toward Bayoil and myself personally, can be traced to our correspondence to the Committee during previous months outlining the inconsistency in calculating fair formula prices, and is further evidenced by Mr. Tellings' refusal to have a telephone conversation or meeting on the subject which is, of course, outside the guidelines and completely unprofessional.

The recent letter request for information enclosed is further evidence of a pattern of prejudice, whereby the documentation request is completely outside Mr. Tellings' authority and mandate under the program. Furthermore, the fact that the type of documentation request has not been part of historical practice and not requested of any other lifter than ourselves.

It should be further noted that the requested documentation is specifically targeting the lightering of vessels through the Egyptian SUMED Pipeline and Canal, which is a historical shipping route, recently interpreted by Mr. Tellings as outside the contract terms.

This interpretation has led to the current situation, whereby, new documentation requirements for vessel owners under destination disallows such Suez routings to final disport, leading to a stoppage of all transit through the Suez Canal. It is not reasonable that such an occurrence was contemplated by the Committee, whereby an individual overzealous Overseer has established the power to stop shipping through an established trade route due to a technical contract interpretation and based on prejudice toward a specific shipper.

Due to the above circumstances we respectfully decline Mr. Tellings' request for information outside the authority of his office, while maintaining our accountability to all our suppliers, including SOMO, with respect to meeting contractual terms and conditions.

It is with great regret that I feel compelled to address the above referenced concerns to your office, as I have previously had great respect for the office of the Oil Overseers, who's job is of great importance to the success of the program.

Sincerely,

David B. Chalmers, Jr.

Encls.

BAY04-01302

**DRAFT**

TO: United Nations Mission  
Russian Federation

DATE: June 25, 2001

REF: U.N. Overseers Letter Reference S/AC.25/2001/1330 Dated June 7, 2001

We feel compelled to write to your office to explain our concerns regarding the enclosed correspondence received from the office of the Oil Overseers on June 7, 2001.

After review of the enclosed letter, and making further enquiries with other Russian allocation holders as well as our receivers of the shipments referred to, we feel compelled to outline our serious concerns about the office of the U.N. Oil Overseers.

Firstly, it should be noted that the Russian U.N. Oil Overseer has not signed the enclosed letter, which implies an absence of unanimous support for this request.

Secondly, according to our understanding of the role of the U.N. Oil Overseers under the applicable resolutions, that there exists no mandate or authority for such type of information.

Thirdly, we have determined that no other Russian oil lifter has received such request for information which, therefore, gives us great concerns about the fair and equitable dealings between various contract holders.

Fourthly, the request for information indirectly targets the purported routing of shipments via the Suez, instead of the Cape for the applicable shipments which we understand certain Overseers to now retroactively deem outside contractual or U.N. guidelines, despite it being a long-standing industry shipping route.

In conclusion, we are greatly concerned over the apparent prejudice toward Rosnefteimpex and our receivers in connection with this inquiry, specifically by the recently appointed Mr. Michel Tellings. This prejudice possibly stems from our past objections to U.N. proposed price mechanisms, which in late 2000 resulted in correspondence to your office on this matter.

Due to the serious concerns outlined above, we are reluctant to provide any information outside the guidelines and limitations applicable under this request to the office of the Overseers. Further, we hope such concerns raised, whereby, the Overseer Mr. Tellings, can take such initiatives leading to a possible restraint of trade will be considered in his re-appointment to that office.

BAYOILUSA015391

Permanent Subcommittee on Investigations

Bayoil Diversions Report

EXHIBIT #2

TO: UN OVERSEERS  
ATTN: Michel Tellings  
FAX: [REDACTED]  
FROM: David B. Chalmers, Jr.  
DATE: July 14, 2001  
REF: Your letter dated June 7, 2001

[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

Dear Sir:

I am quite perplexed about the above referenced request for information, as according to my understanding, it is not within the framework of the important responsibility your office is entrusted with, i.e. verifying that monthly price formulas submitted for U.N. approval are reasonable in light of prevailing market conditions.

Additionally, I am concerned that request for information of this type is not being made to all Contract Holders and instead, is primarily targeting suppliers of Bayoil only.

Despite these concerns I have reviewed the letters sent to the various companies, which appears to center around obtaining information which can somehow confirm that the various vessels listed have sailed via the Sumed/Suez Canal instead of via The Cape.

In this connection, I would like to note that newly adopted U.N. required destination declarations by vessel Masters at loadport are interpreted by vessel owners as restricting transit via the Suez to the final destination, despite historical practice by the industry since the program started. We understand your offices' unwillingness to allow such flexibility by Masters results from an apparently new interpretation of contractual terms prohibiting transshipment. As you are aware, many industry participants in the program, including Bayoil, have not considered Suez transit as transshipment. Accordingly, we consider the recent interpretation as disputable. It seems to me the current inflexibility to allow vessels either routing could be constituted as a restraint of trade which has led indirectly to a defacto blockade of Iraqi oil flow through the Suez. It is difficult to believe that the U.N. Members, and the 661 Committee in particular, intended the new requirement for vessels to lead to such a consequence.

BAYOILUSA015393

Permanent Subcommittee on Investigations

Bayoil Diversions Report

EXHIBIT #3

Page 2

Nevertheless, and exclusively as a matter of courtesy, we are enclosing the information below in the spirit of cooperation with you, while we reserve our position on whether such a request is warranted.

VESSEL	QUANTITY	B/LDATE	LOADPORT	DESTINATION	ROUTING
TINA	2,371,092	1/20/01	AL BAKR	NORTH AMERICA	SUMED
HELESPONT PARADISE	2,103,854	1/23/01	AL BAKR	EUROPE	SUMED
HELESPONT CAPITOL	1,982,832 500,000	1/27/01 1/27/01	AL BAKR AL BAKR	NORTH AMERICA NORTH AMERICA	SUMED SUMED
MAJESTIC UNITY	2,027,902	2/14/01	AL BAKR	EUROPE	SUMED
OLYMPIA SPIRIT	2,607,148	2/18/01	AL BAKR	NORTH AMERICA	SUMED
TINA	2,376,927	2/19/01	AL BAKR	NORTH AMERICA	SUMED
HELESPONT PARADISE	2,103,164	2/25/01	AL BAKR	NORTH AMERICA	SUMED
HELESPONT PARADISE	2,073,230	3/22/01	AL BAKR	NORTH AMERICA	THE CAPE

The primary routing through Sumed, per the above table, should explain the frequency of some vessels calling back to the Port of loading.

Accordingly, the above referenced barrels have been shipped and performed in accordance with the U.N. approved contract conditions, including transshipment and destination according to standard industry practice.

Sincerely,

David B. Chalmers, Jr.  
For and on behalf of  
Bayoil Supply & Trading Limited

BAYOILUSA015394



United States Department of the Treasury

TREASURY DEPARTMENT  
WASHINGTON, D.C. 20520  
FIS CONTROL

2001 AUG 24 A 10:46

August 17, 2001

UNCLASSIFIED  
MEMORANDUM

TO: R. Richard Newcomb  
Director  
Office of Foreign Assets Control  
Department of the Treasury

FROM: Bruce Williamson *BW*  
Acting Director  
Office of Economic Sanctions Policy

SUBJECT: Bay Oil Licenses

REFS: OFAC Licenses No. IQ-1457, IQ-1242, IQ-976,  
IQ-910, IQ-843

We have learned that the United Nations Office of the Iraq Program has contacted the company Bay Oil seeking specific information about recent shipments of crude oil under the "Oil-for-Food" program for Iraq, and that so far Bay Oil has not responded.

OFAC has granted Bay Oil at least five licenses for the purchase of Iraqi crude. The licenses stipulate that Bay Oil must conform to relevant UN Security Council resolutions as well as procedures and guidelines established to implement those resolutions. Accordingly, the State Department requests that OFAC contact Bay Oil and urge that the company respond quickly and completely to the Office of the Iraq Program's request for information.

Permanent Subcommittee on Investigations

Bayoil Diversions Report

EXHIBIT #4

11/23/01 WED 18:31 FAX [REDACTED]

UNHQ NYK

[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

001

UNITED NATIONS



NATIONS UNIES

SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990)  
CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT

S/AC.25/2001/OIL/1360

28 November 2001

TO: BAYOIL SUPPLY & TRADING LTD. NASSAU, BAHAMAS	FROM: THE OIL OVERSEERS UNDER SECURITY COUNCIL RESOLUTION 986 (1995) <i>[Signature]</i>
FAX NO. [REDACTED]	FAX NO. [REDACTED]
ATTENTION: Mr. David Chalmers	REF.: OIL-FOR-FOOD ARRANGEMENT
TOTAL NUMBER OF TRANSMITTED PAGES INCLUDING THIS PAGE: 1	

SUBJECT: Iraqi crude oil on MT Hellestport Paradise (B/L date 25 February 2001)  
and MT Tina (B/L date 20 January 2001)

Sir,

Further to various correspondence and telephone conversations since the beginning of June 2001 we still require some important pieces of information with respect to the oil shipped on the abovementioned two vessels.

For your convenience we restate the information we require.

1) The crude oil on the MT Hellestport Paradise (B/L date 25 February 2001). Apart from some 40,000 tonnes this oil this was apparently shipped via Sirmed and on the MT Astro Gamma to the USA/Cariba. We are still looking for the relevant logistical information (name(s) of the vessel(s), loading date(s) and discharge port(s) with respect to the shipment of the remaining volume (approx. 40,000 tonnes) from Sidi Kerir to the USA/Cariba.

2) The crude oil on the MT Tina (B/L date 20 January 2001). We still require the relevant logistical information (name(s) of the vessel(s), loading date(s) and discharge port(s) with respect to the shipment of the total volume (approx. 320,000 tonnes) from Sidi Kerir to the USA/Cariba.

⇒ As nearly six months have now passed since we first requested this information, we would like to advise that, in absence of a prompt response, we have to inform the United Nations Sanctions Committee of this situation.

Best Regards

cc: Haltech  
Rosneftimpex

Permanent Subcommittee on Investigations  
Bayoil Diversions Report  
EXHIBIT #5

28/11 '01 22:34

NR. TX/RX9184

P.001

IT-0 2314

FOI  
File Iraktech  
AG Informafo

= Redacted by the Permanent  
Subcommittee on Investigations

UNITED NATIONS



NATIONS UNIES

SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990)  
CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT

S/AC.25/2002/OIL/1382

10 January 2002

TO: BAYOIL (USA) INC. 909 TEXAS AVE., SUITE 202 HOUSTON, TX 77002	FROM: THE OIL OVERSEERS UNDER SECURITY COUNCIL RESOLUTION 986 (1995)
FAX NO. [REDACTED]	FAX NO. [REDACTED]
ATTENTION: Mr. David B. CHALMERS	REF.: OIL-FOR-FOOD ARRANGEMENT
TOTAL NUMBER OF TRANSMITTED PAGES INCLUDING THIS PAGE: 2	

Dear Sir,

Reference: Shipment through SUMED pipeline and destination compliance.

We should like to refer to the various communications, which we have had with you concerning the shipment of Iraqi oil on the MT "Tina" (bill of lading date 20 January 2001) and on the MT "Hellasport Paradise" (bill of lading date 25 February 2001).

Our understanding on this issue is as follows. Both cargoes of oil were bought by Bayoil Supply and Trading on a free on board (Mina Al Bakr) basis and that this company was involved in the shipment of this oil to its ultimate destinations. The clause in the SOMO oil purchase contract (letter of credit), which prohibits transshipment, was not adhered to and this oil was pumped via the SUMED pipeline into other vessels.

Although we have no reason to believe that any violation of destination restrictions has taken place, you will appreciate that monitoring of this is difficult in cases like this where the oil has been transshipped.

Albeit that some information has been provided, this remains incomplete. In order to eliminate any doubt and to satisfy that no money has been withheld from the UN-Iraq account, we urge you again to supply us with all the relevant information on this matter. Specifically, for the abovementioned vessels we require discharge dates and discharge volumes.

Permanent Subcommittee on Investigations

Bayoil Diversions Report

EXHIBIT #6

01/11/02 FRI 16:33 FAX [REDACTED]

IT-0 2312



For all additional vessels used in shipping this oil to its final destinations we require names of vessels, ports (or lightering locations) of discharge, dates of loading and discharge and volumes loaded and discharged.

As we have been in communication with you on this matter since the beginning of June 2001, we would appreciate receipt of this information at your earliest convenience, but not later than 25 January 2002.

In event that we do not receive information which enables this matter to be concluded, we will feel duty bound to inform the Executive Director of the Iraq Programme for the purpose of briefing the 661 Sanctions Committee.

Best regards.

cc: Mr. Benon Sevan, Executive Director - Office of the Iraq Programme  
Italtech  
Rosnefteimpex

TO: UN OIL OVERSEERS  
 ATTN: Alexander Kramar  
 Michel Tellings  
 Morten Buur-Jensen  
 FAX: [REDACTED]  
 FROM: Bayoil Supply & Trading Limited  
 DATE: January 24, 2002  
 REF: Your Ref: S/AC.25/2002/1382 dated 10 January 2002  
 M/T Hellespont Paradise - B/L 2/25/01 and M/T Tina - B/L 1/20/01

[REDACTED] = Redacted by the Permanent  
 Subcommittee on Investigations

Dear Sirs:

For your information with regard to the referenced shipments, Bayoil has according to standard industry practice, made every effort to comply on all shipments within the terms and conditions of the contracts applicable for each lifting. To this extent, we have further provided our supplier, when requested, any information relevant to the application of the appropriate contractual terms.

Therefore, we are surprised by the continued request directly to Bayoil relating to specific detailed information for the shipments referenced to above as Bayoil had previously provided your office, on a courtesy basis, clarification about shipping routes for a number of vessels, including the vessels mentioned, which should have satisfied your overall concerns. As such we understand your office has already obtained directly and indirectly the information requested concerning the vessels used in shipping the oil to final destination which should have satisfied your overall concerns. Secondly, we are surprised by such a request directly to Bayoil as recently your office had made it clear to our personnel that there is no reason for communications between your office and Bayoil's professional personnel, despite the fact Bayoil is an approved lifter and therefore formally authorized to have discussions on price with your office.

This was evident during a recent telephone call by Bayoil London representative, Dr. John Irving to Mr. M. Tellings to discuss market prices, in which Dr. Irving was told in response to an enquiry about how formulas were calculated, "who are you", "you are not a refiner, you are not an allocation holder". "I am bored with this conversation".

Permanent Subcommittee on Investigations

Bayoil Diversions Report

EXHIBIT #7

BAYOILUSA015308

Page 2

Based on this disturbing conversation, we are greatly concerned that your office, whose mandate is primarily in connection with reviewing prices submitted for establishing fairness, is instead, on some kind of mission to find fault with our Company, by attempting to directly audit the activities of our company in a manner not universally applied to all industry participants in the program and outside your office's standard scope of responsibility.

A further example of your apparent prejudice toward Bayoil is evident in your recent letters statement regarding the purported non-adherence to the contract provision under transshipments, whereby your office now retroactively interprets that Bayoil's shipments routing via SUMED/Suez Canal, constitute a breach of contract while the shipping route has been both historically and widely used by the industry including during this period, which was well known by your office. It should be further noted that Bayoil, along with most industry participants, consider your offices recently adopted vessel loading documentation requirements for the purpose of prohibiting such vessel routing via Suez constitutes a clear restraint of trade and further prohibits the successful operation of the Oil-for-Food Program.

In connection with your office's current over-zealous efforts to audit our company's indirect participation in the Oil Sale Program, for reasons we conclude to be highly prejudicial, we feel compelled to address herein the most serious example of such practice as follows:

Bayoil has previously on several occasions corresponded with your offices and provided supporting documentation concerning a most serious injustice affecting our company in connection with a shipment Bayoil lifted on June 8, 2000, whereby the quantities loaded were substantially below the documented B/L quantities under which Bayoil's Letter of Credit was automatically drawn. As this mistake in loading was due primarily to the negligence of the U.N. appointed inspector, which was known almost immediately after loading, it is incredulous that Bayoil was required to pay for quantities of oil not loaded, and that your office has taken no initiative to correct this injustice and has relayed that no remedy for Bayoil's recovery of funds paid to the U.N. account without a direct initiative by of S.O.M.O. as well as full U.N. membership approvals which thus far has not happened.

With regard again to your fax of giving Bayoil an ultimatum in connection with the documentation requested, we do not feel currently obligated to provide such information under such circumstances, particularly as the information requested is likely to be used out of context and without consideration of the normal practice at SUMED, whereby shipping tolerances and logistics allow for differences in shipping capacities to be accrued and compensated over time, unless in the current environment whereby your office has initiated methods to stop all transit via Egypt to major consuming countries. As, and if circumstances and attitudes change to a more commercial tone, we shall further consider your request.

BAYOILUSA015309

Page 3

Meanwhile, we look forward to your suggestions for resolution of the matter also addressed herein, whereby funds have been paid into the U.N. Oil-for-Food Account under the L/C for vessel M/T "Essex", an amount of \$50,720,155.83 resulting a minimum of \$1,202,678.93 more than should have been paid due to the discrepancy of B/L volume which was recalculated at loadport to be 1,989,133 barrels or 48,312 barrels greater than paid under the L/C which as drawn basis 2,037,445 barrels. Further the recalculated loadport volume of 1,989,133 barrels is still substantially above the final disport figures according to the same U.N. Inspection company of Saybolt.

Look forward to your earliest response.

Sincerely,

David B. Chalmers Jr.  
For and on behalf of  
Bayoil Supply & Trading Limited

BAYOILUSA015310



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

APR 26

FAC No. IQ-195077

APR 23 2002

REQUIREMENT TO FURNISH INFORMATION

Bayoil (USA), Inc.  
c/o Dickstein, Shapiro, Morin  
& Oshinski, LLP  
2101 L Street, N.W.  
Washington, DC 20037-1526  
attn: George T. Boggs, Esq.

Dear Mr. Boggs:

The Office of Foreign Assets Control ("OFAC") has issued certain licenses authorizing Bayoil (USA), Inc. and associated individuals ("Bayoil USA") to engage in those transactions necessary to assist Bayoil, S.A. (Geneva) to negotiate and conclude executory contracts for Bayoil, S.A. (Geneva) to purchase Iraqi-origin crude oil from the Government of Iraq, as described in the respective applications. Those licenses are OFAC Licenses No. IQ-1457, IQ-1242, IQ-976, IQ-910, and IQ-843 (collectively, the "OFAC Licenses"). The OFAC Licenses provide, *inter alia*, that the Licensee(s) hereunder is required to keep full and accurate records of all transactions engaged in under the licenses. Such records shall be made available for examination upon demand for at least 5 years from the date of each transaction.

Pursuant to the terms of the OFAC Licenses and section 501.602 of the Reporting and Procedures Regulations, 31 C.F.R. Part 501 (the "Reporting Regulations"), it is hereby required that you provide this Office, with a complete report in writing concerning any transactions conducted pursuant to the OFAC Licenses or otherwise subject to the provisions of the Reporting Regulations. Your response must include copies of those executory contracts that were executed by Bayoil, S.A. (Geneva) with the assistance of Bayoil USA.


BAY14-01965

Permanent Subcommittee on Investigations  
Bayoil Diversions Report  
EXHIBIT #8

- 2 -

Please submit your response within twenty (20) business days of your receipt of this letter. It should be directed to the attention of Elton A. Ellison, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Annex, Room 2151, Washington, D.C. 20220. You should be aware that failure to respond may result in the imposition of civil penalties. If you have any questions, Mr. Ellison can be reached at [REDACTED]

Sincerely,

  
David H. Harmon  
Chief, Enforcement Division  
Office of Foreign Assets Control

[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

BAY14-01966

*File Copy*

## DICKSTEIN SHAPIRO MORIN &amp; OSHINSKY LLP

2101 L Street NW • Washington, DC 20037-1526

Tel (202) 785-9700 • Fax (202) 887-0689

Writer's Direct Dial: (202) 828-2203

E-Mail Address: [BaggrG@dsma.com](mailto:BaggrG@dsma.com)

May 22, 2002

VIA HAND DELIVERY

Mr. Elton A. Ellison  
 Office of Foreign Assets Control  
 U.S. Department of the Treasury  
 1500 Pennsylvania Avenue, N.W.  
 Annex, Room 2151  
 Washington, DC 20220

Re: Bayoil (USA) Inc., FAC No. IQ-195077

Dear Mr. Ellison:

We are writing on behalf of our client, Bayoil (USA) Inc. ("Bayoil"), in response to the letter dated April 23, 2002, from Mr. David H. Harmon, a copy of which is attached hereto as Exhibit 1. Mr. Harmon's letter asks Bayoil to submit a "complete report in writing concerning any transactions conducted pursuant to the OFAC Licenses (IQ-1457, IQ-1242, IQ-976, IQ-910, and IQ-843) or otherwise subject to the provisions of the Reporting Regulations," within 20 business days of our receipt of his letter. We received that letter on April 26, 2002, and thus this response is being provided on a timely basis.

We note at the outset that the information set forth herein was provided to us by Bayoil. We also note that Bayoil has advised us that it and its affiliates engaged in only one transaction involving Iraqi crude oil pursuant to the OFAC Licenses,<sup>1</sup> and the details of that transaction are described below.

Pursuant to License IQ-843 dated August 11, 1997, Bayoil and its employees were authorized to assist Bayoil's foreign affiliate, Bayoil SA, in obtaining a contract to purchase Iraqi crude oil pursuant to the "Oil-for-Food" Program. The license was sought immediately upon Bayoil SA receiving an offer from SOMO on August 7, 1997, to obtain an allocation of crude oil if the contract could be made quickly and the lifting could occur by August 12, 1997.

<sup>1</sup> As with many other major oil companies, Bayoil's foreign affiliates traded Iraqi-origin crude oil on the world market after UN approval as permitted by the general license in 31 C.F.R. § 575.526. We assume your request for information is not intended to cover any such transactions.

1177 Avenue of the Americas • 41st Floor • New York, New York 10036-2714

Tel (212) 835-1400 • Fax (212) 997-9880

<http://www.dsma.com>

1447342 v1; VOR1011.DOC

BAY14-01961

Permanent Subcommittee on Investigations

Bayoil Diversions Report

EXHIBIT #9

Mr. Elton A. Ellison  
May 22, 2002  
Page 2

Bayoil SA executed by fax the contract with SOMO on August 11, 1997, to purchase 3.6 million barrels of crude oil for the U.S. market. The contract covered two cargoes: one for 2.1 million barrels of Kirkuk crude oil shipped from Ceyhan, and one for 1.5 million barrels of Basrah light crude oil shipped from Mina Al-Bakr. A copy of the contract is attached hereto as Exhibit 2.<sup>2</sup> Also attached hereto as Exhibits 3 and 4 are the letters of credit issued in connection with the two cargoes covered by the contract. The contract was submitted by Bayoil SA's London office to the 661 Committee at the U.N. for approval on August 11, 1997, and such approval was issued on the same day. A copy of the approval is attached hereto as Exhibit 5. The first cargo was loaded at Ceyhan, Turkey, with a Bill of Lading dated August 15, 1997, and the second cargo was loaded at Mina Al-Bakr with a Bill of Lading dated August 23, 1997.

Bayoil applied for OFAC License Nos. IQ-910, IQ-976, IQ-1242, and IQ-1457, in conjunction with the beginning of the respective six-month phases of the U.N. "Oil-for-Food" Program. For example, License IQ-910 applied to the phase beginning in January 1998, and IQ-1457 applied to the phase ending in June 2001.

Given the normal delays in processing license applications at OFAC, Bayoil submitted these license applications prior to any anticipated oil contracts being offered by SOMO and to ensure compliance with the Iraqi Sanctions Regulations at the time any such contract may be offered.

However, with the exception of License IQ-843, Bayoil and its affiliates were not offered and did not enter into any further contracts with SOMO to purchase Iraqi crude oil after August 1997, pursuant to the OFAC Licenses or otherwise.<sup>3</sup>

Bayoil believes that its failure to be offered any oil contract allocations after 1997 was due to an Iraqi government policy not to sell its crude oil to any entity with a possible U.S. interest. Seeing no apparent change in this Iraqi policy, Bayoil determined that continuing to obtain OFAC licenses in the hope of a future contract was a waste of its time

<sup>2</sup> We note that the attached contract has some handwritten marks on pages 3 and 5. We have been advised by Bayoil that those marks were put on this file copy after the transaction for other internal purposes and do not reflect changes to the original contract. On the other hand, the date on the last page was changed from August 9, 1997, to August 11, 1997, to reflect the date the contract was executed by Bayoil SA.

<sup>3</sup> In June 1999, Bayoil and its affiliates, applied to the 661 Committee to have Bayoil's affiliate, Bayoil Supply and Trading Ltd., approved as a purchaser of Iraqi crude oil. Such approval and registration was issued by the 661 Committee on June 17, 1999, a copy of which is attached as Exhibit 6.

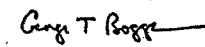


Mr. Elton A. Ellison  
May 22, 2002  
Page 3

and resources, and thus no further licenses were requested after IQ-1457, which was issued on November 28, 2000.

If you require any additional information, please contact the undersigned.

Sincerely,

  
George T. Boggs

GTB:ms  
Enclosures

cc: Mr. David B. Chalmers, Jr. (w/enc.)

Addendum No 2  
to contract dated July 11, 2000  
between Rusnaitimpex" (BVI) United Kingdom and  
Messrs. 'Bayoil Supply & Trading Limited, Nassau. Bahamas

Houston

January 18, 2001

In accordance with contract dated July 11, 2000 regarding additional 2,000,000 barrels of Basrah Light crude oil ex Mina Al Bakr and 2,000,000 barrels of Kirkuk ex Ceyhan the price of cargoes to be delivered during January/February 2001 in the frame of 9 Phase of the UN "Oil-for-Food" program will be the official selling price of SOMO for "Basrah Light" and "Kirkuk" for US/ Europe destinations plus premium per net US barrels of USD 0.35 (thirty five cents) plus \$3,000.00 per cargo to cover interest in absence of premium pre-payment.

Value of SOMO invoice at official selling price will be paid to BNP Paribas., New York as per corresponding Letter of Credit.

Balance amount in US dollars per net barrel of delivered crude oil will be transferred by Buyers to account in the bank to be designated by Sellers against Sellers invoice on the 30<sup>th</sup> day from Bill of Lading date ( B/L date = day one)

Buyers are committed to contract additional 2,000,000 barrels Basrah Light crude oil ex Mina Al Bakr for lifting in February at terms and conditions to be mutually agreed upon latest January 25 and undertake to nominate suitable tonnage and to effect lifting within agreed with SOMO loading date.

Sellers specifically warrants that no surcharge or other payment was made to SOMO by the Sellers, or to Sellers' knowledge by any third party, outside the UN Escrow account in obtaining the Crude oil sold to Buyers hereunder. Sellers will present to the Buyer a copy of the U.N. permission as well.

Sellers - RUSNAFTAIMPEX (BVI) LIMITED  
c/o Jardine House, 1 Wesley St., St. Heiler  
Jersey, JE4 6HD, Channel Islands  
United Kingdom  
Tel: +44 01534 888111  
Fax: +44 01534 88118

And

Buyers — BAYOIL SUPPLY & TRADING LIMITED  
P.O. Box CB 12918, Nassau,  
Bahamas  
Tel: +1 242 362 4731  
Fax: +1 242 362 4733  
Tlx: 20644

For Sellers:  
A. Milovanov  
Director, Moscow Representation Office

For Buyers:  
David B. Chalmers, Jr.  
President

Permanent Subcommittee on Investigations  
**Bayoil Diversions Report**  
**EXHIBIT #10**

BAY09-02250

**Addendum No 3  
to contract dated July 11, 2000  
between Rusnaftimpex" (BVI) United Kingdom and  
Messrs. 'Bayoil Supply & Trading Limited, Nassau, Bahamas**

Houston

January 23, 2001

Supplier - RUSNAFTAIMPEX (BVI) LIMITED hereby represents, warrants, and agree that Supplier shall be bound and abide by and strictly with United Nations Security Council Resolution ("UNSC") 986 and other related Security Council resolutions, the Memorandum of Understanding, guidelines and other guidance issued by the 661 Committee established by UNSC Resolution 661. Supplier, hereby further represents, warrants, and agrees that Supplier will not make any payments, directly or indirectly, to or for the benefit of the Government of Iraq or a person in Iraq, except transfers to the 986 Escrow Account maintained by the United Nations

**For Supplier:**  
A. Milovanov  
Director, Moscow Representation Office

**For Buyers:**  
David B. Chalmers, Jr.  
President

Permanent Subcommittee on Investigations

**Bayoil Diversions Report**

**EXHIBIT #11**

BAY09-02251

81-38-2001 09:12AM FROM 7132248101 P.01  
 8/01 THU 15:52 FAX 212 963 1628 UNHQ NYK 0001

*Att. Mr. Poulkov*

(4)

UNITED NATIONS



NATIONS UNIES

SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990)  
 CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT

S/AC.25/2001/OIL/1330/OC.17

18 January 2001

TO: "ROSNEFTIMPEX" NK ROSNEFT RUSSIAN FEDERATION	FROM: THE OIL OVERSEERS UNDER SECURITY COUNCIL RESOLUTION 986 (1995)
FAX NO.: 011-7095-979-6071	FAX NO.: (212) 963-1628
ATTENTION: Mr. Sergey ISSAKOV	REF.: OIL-FOR-FOOD ARRANGEMENT
TOTAL NUMBER OF TRANSMITTED PAGES INCLUDING THIS PAGE: 1	

Re: Contract Number: M/09/25 UN REF: S/AC.25/2001/OIL/1330/COMM.25

Between: SOMO and "ROSNEFTIMPEX" NK ROSNEFT

Date of Receipt: 18 January 2001

Quantity: 2,900,000 bbls

Quality: Khrank

Pricing Formula: Europe and/or U.S.A Market

Port of Loading: Ceyhan

Quantity: 4,000,000 bbls

Quality: Basrah Light

Pricing Formula: Europe and/or U.S.A

Port of Loading: Mina al-Bahr

FURTHER TO YOUR ABOVE REFERENCED APPLICATION FOR APPROVAL  
 OF THE OIL CONTRACT, PLEASE BE ADVISED THAT THE APPLICATION  
 HAS BEEN:

■ APPROVED

cc:

SOMO

BNP

SAYBOLT ROTTERDAM

PERMANENT MISSION OF IRAQ TO THE UN

BAY18-01000

Permanent Subcommittee on Investigations  
 Bayoil Diversions Report  
 EXHIBIT #12

22. MAR. 2001 11:16

C. A. I. GENEVE 3199687

N°6724 P. 3

SOMO

ORIGINAL NEGOTIABLE

BILL OF LADING

BBL/3657

Shipped in apparent good order and condition by SOMO in the S/S - M/T called the  
HELESPONT PARADISE Whereof CAPT. GEORGIOS KOKKOS  
 is Master for this present voyage now lying at the Port of AL-BAGR TERMINAL IRAQ  
IRAQ CRUDE OIL ( BASRAH LIGHT ) in Bulk

Cubic Meters	U.S. Barrels	Long Tons	Metric Tons
334342.989	2104216	284826.48	284398.148
334375.735	2103164	284662.41	284231.211

and to be delivered (subject to the undermentioned conditions and exceptions) in like good  
 order and condition at the Port of "NORTH AMERICA" or as  
 near thereto as she may safely get (always afloat) unto order "ORDRE AGRICOLE ENDOUSURE"  
(SUISSA) S.A. GENEVE of  
 to their assigns upon payment of freight as per charter party, all conditions and exceptions  
 of which charter party, including the negligence clause, are deemed to be incorporated in  
 this Bill of Lading.

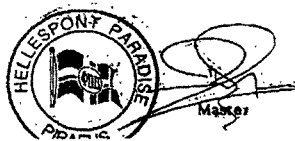
The Ship has liberty before or after proceeding on the voyage to proceed to and stay  
 at any port or ports in any order for any purpose and not withstanding that same may be  
 out of the direct route to the port of discharge, with liberty to sail without pilots, and to  
 tow or be towed and to tow and assist vessels in distress or otherwise in all positions, and  
 to deviate for the purpose of saving life or property,

In witness whereof the Master of the said ship has affirmed to.....  
 Bills of Lading, all of this tenor and date, one of which being accomplished the others to  
 stand void.

"QUEEN ON BOARD"

"FREIGHT PAYABLE BY BUYER AS ARRANGED"

Dated at AL-BAGR TERMINAL this TWENTY FIFTH day of FEBRUARY 2001 2001



BAY18-01033

Permanent Subcommittee on Investigations  
 Bayoil Diversions Report  
 EXHIBIT #13

22. MAR. 2001 11:17

C. A. I. GENEVE 3199687

N°6724 P. 4

SOMOCERTIFICATE OF ORIGIN**ORIGINAL**

REL/3057

SOMO hereby certifies, that the commodity described herein, shipped per  
 S/S - M/T : "HILLSPONT PARADISE" on 25th of Feb., 2001  
 Consigned to : "CREDIT AGRICOLE INDOSUEZ (SUISSE) S.A., GENEVE"  
 At : "NORTH AMERICA"  
 is of Iraq origin.

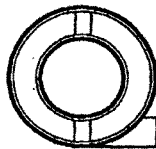
QUANTITY		DESCRIPTION
	<u>Gross</u>	<u>Net</u>
Cubic Meters :	334542.989	334375.735
U. S. Barrels :	2104216	2103164
Long Tons :	284826.58	284862.41
Metric Tons :	289398.148	289231.241
		IRAQ CRUDE OIL (SAGRAW LIGHT)

Certified at AL-BIKTERMINAL, IRAQ.

Date : 25th of Feb., 2001



BAY18-01034



# State Oil Marketing Organization

P.O Box 5118 Baghdad - Iraq Commercial Invoice No.: B/272001

Sold to : ROSNETIMPEX - NK ROSNET  
Exporting Port : MINA AL BAKR TERMINAL  
Ship's Name : HELLESFONT PARADISE  
Destination : NORTH AMERICA  
Country of origin : IRAQ

Doc date : 26.3.2001  
Contract No : M/09/23  
BNP Confirmation no : D726068  
Opening Bank L/c No : C10279500  
Shipment No : BBL7057

Description of commodity	Quantity		U.S. Bbls	Price per Barrel FOB	Total value in EURO
	Metric Tons	Long Tons			
IRAQ CRUDE OIL (BASRAH LIGHT) 31.71 API GRAVITY AT 60° F	289,231.241	284,662.41	2,103,164	19.336	40,666,779.110

Total EURO : FORTY MILLION SIX HUNDRED SIXTY SIX THOUSAND SEVEN HUNDRED SEVENTY NINE AND TEN CENTS

Free Calculation : WTI (SECOND MONTH) MINUS 38.64 BBL AVERAGE OF FIVE CONSECUTIVE QUOTATIONS STARTING FROM THE 15<sup>TH</sup> DAY FROM THE B/L DATE AS PUBLISHED IN PLATT'S CRUDE OIL MARKET WIRE MINUS \$ 0.21 API DE ESCALATION

PAYMENT IS TO BE MADE TO THE UNITED NATIONS AT BANQUE NATIONALE DE PARIS, S.A. NEW YORK BRANCH FOR CREDIT TO THE UNITED NATIONS IRAQ ACCOUNT, EURO SUB-ACCOUNT, ACCOUNT NUMBER 0205-201 1731-002-03



ORIGINAL

For State Oil Marketing Organization  
HEAD OF FINANCE DEPT.

B/L DATED 25/2/2000

BAY18-01032

C.A.I. GENEVE 3199687

N°6724 P. 2

— = Redacted by the Permanent  
Subcommittee on Investigations

FEBRUARY 20, 2001

TO: ROSNEFTEIMPEX, MOSCOW  
ATTN: Mr. Y.N. Poukhov  
FAX: [REDACTED]

CC: CREDIT AGRICOLE INDOSUEZ (SUISSE) SA, GENEVA  
ATTN: SUSAN UNITT  
FAX: [REDACTED]

RE: LOADING OF APPROX 2,100,000 BBLs +/- 5% OF BASRAH LIGHT CRUDE OIL EX MINA  
AL BAKR BY M/T HELLESPOINT PARADISE

PLEASE FIND BELOW OUR DOCUMENTARY REQUIREMENTS FOR THE ABOVE  
REFERENCED LOADING:

CONSIGNEE ON BILL OF LADING:	ISSUED OR ENDORSED TO THE ORDER OF CREDIT AGRICOLE INDOSUEZ (SUISSE) SA, GENEVA
DESTINATION ON BILL OF LADING:	NORTH AMERICA
QUANTITY REQUIREMENT:	MINIMUM 289,600 METRIC TONS (APPROX 2,128,850 BBLs BASIS API 33.5) AS CLOSE AS POSSIBLE BASRAH LIGHT CRUDE OIL ALWAYS CONSISTENT WITH MASTER'S INSTRUCTIONS FOR SAFE SAILING DRAFT 21 METERS

DOCUMENTS:

1. ONE FULL SET CLEAN ON BOARD BILLS OF LADING IN 3/3 ORIGINAL AND 6 NON-NEGOTIABLE COPIES DATED ON BOARD AND ISSUED OR ENDORSED TO THE CREDIT AGRICOLE INDOSUEZ (SUISSE) SA, GENEVA OF SHOWING SHIPMENT FROM MINA AL BAKR TERMINAL, IRAQ TO DESTINATION NORTH AMERICA MARKED "FREIGHT PAYABLE BY BUYER AS ARRANGED".  
  
EACH ORIGINAL BILL OF LADING TO BE ORIGINALLY SIGNED AND STAMPED BY VESSEL'S MASTER AND MARKED WITH A SHIPMENT NUMBER.
2. ONE CERTIFICATE OF IRAQI ORIGIN ISSUED BY SOMO IN ONE ORIGINAL AND SIX COPIES.
3. ONE QUANTITY AND QUALITY CERTIFICATE IN ONE ORIGINAL AND SIX COPIES.
4. ONE MASTER'S RECEIPT FOR DOCUMENTS IN ONE ORIGINAL AND SIX COPIES.
5. ONE MASTER'S RECEIPT FOR SAMPLES IN ONE ORIGINAL AND SIX COPIES.
6. ONE LOADING TIME SHEET IN ONE ORIGINAL AND SIX COPIES.

**BAY18-01030**



7. ONE ULLAGE REPORT IN ONE ORIGINAL AND SIX COPIES.

DISTRIBUTION:

- A. TWO COPIES OF ALL DOCUMENTS TO MASTER OF VESSEL, ONE COPY FOR MASTER'S OWN USE, ONE COPY FOR RECEIVERS.
- B. FULL SET ORIGINAL BILLS OF LADING PLUS ALL OTHER ORIGINALS AND REMAINING COPIES DIRECTLY TO BANQUE NATIONALE DE PARIS, NEW YORK BY COURIER AS FOLLOWS:

BNP PARIBAS, NEW YORK  
200 LIBERTY STREET  
NEW YORK, NEW YORK  
ATTN: TRADE FINANCES

THE ABOVE DOCUMENTARY INSTRUCTIONS ARE AS PER CURRENT BUSINESS PRACTICE FOR VLCC LOADINGS AT MINA AL BAKR.

BEST REGARDS,  
BAYOIL SUPPLY AND TRADING LIMITED

BAY18-01031

**Permanent Subcommittee on Investigations**  
**Bayoil Diversions Report**  
**EXHIBIT #14**

9/20/2004 12:24 PM

Sheet1

FILE NAME: SHARED\BOARD2001.xls

VEN.NO	VESSEL	SUPPLIER	LOAD	PERIOD	LIGHTER	CUSTOMER	CUSTOMER	ETA	WINDOW	LIGHTER	ACTUAL
V-50128	AGAMA(14)	SBI	213/201		547,144.81	ACT	(PACQ)(CLARKNES)	3/17,700	328-25	EMALITA	21,943
86,000 DAY	BASHRAH	KERR	1,847,851.73		91,417.67	SKAUKEN	DAMON(DELVD)	TVE VALD 328-25	328-25	GLROSS	21,943
	API 31.74	CA			548,894.68	MTL	(PACQ)(CLARKNES)	329-42	329-30	E.COONRA	21,943
					130,870.00	ATL	ENROVOT(DELVD)	329-42	329-31	GALEXANDRA	20,480
V-50134	THA (9)	ITALTECH	219/2001		511,412.69	420007/748	VALEORDES	41-13	331-47	FLDUCHESS	19,844
52-7500 DAY	BASHRAH	MOMOT	2,276,227		384,482.38	MTL	ENROVOT(DELVD)	331-000	330-31	GALEXANDRA	20,480
	API 33.5	UEB	OSP-3.60		405,708.54	ENROVOT(DELVD)	VALEORDES	TVE VALD 43-8	42-3	WILKINGTON	20,344
					469,804.71	SKAUKEN	EXON(DELVD)	44-4	44-4	BUROYDE	21,575
					483,140.87	420007/748	VALEORDELVD	45-10	45-6	GLENBUCK	21,575
V-50138	Q.BREEZE	ITALTECH	3/12/2001		437,008.24	KOCHRES	45-000	43-8	45-6	E.CHARLOTTE	18,904
W5.945 30,000 DAY	BASHRAH	UEB	OSP-3.60		461,154.33	KOCHRES	COCHAL(DELVD)	45-8	46-8	E.COONRA	18,904
	API 34.7				481,481.01	H01-0073	FMMTH3	TVE VALD 43-7	47-8	S.PRINCE	20,484
V-50133	G.FOUNTAIN(9)	ITALTECH	2/27/2001		507,201.20	CSOTM(19277	VALEORDES	48-10	47-8	NELST	20,344
2,002,056	BASHRAH	MOMOT	OSP-3.65		507,201.20	INSRA	(PACQ)(CLARKNES)	MA.CAPE 48-10	48-9	E.CHARLOTTE	20,344
	API 32.60	BOY	2ND MONTH(15-18)OSP		469,381.50	H01-0081	CONSTAT(DELVD)	TVE EXP 41-10-12	41-10	E.EALWAY	20,560
V-50137	H.PARADISE(9)	BASHRAH	2/25/2001		504,413.97	ITS CS	ENROVOT(DELVD)	41-12-14	41-11	GLENBUCK	21,658
W5.945 30,000 DAY	BASHRAH	RUSNET	OSP-3.65		486,994.58	CSOTM(10215	EXON(DELVD)	41-15	41-15	GALEXANDRA	21,087
	API 32.60		2ND MONTH(12-15)OSP		486,994.58	CSOTM(10215	EXON(DELVD)	TVE VALD 42-25	42-25	COMPASS	20,344
V-50139	W5.945 30,000 DAY	ITALTECH	3/1/2001		498,148.00	CSOTM(10215	EXON(DELVD)	42-25	42-25	FAUGUSTA	20,560
W5.945 30,000 DAY	BASHRAH	BOY	OSP-3.65		520,012.37	047338	(PACQ)(CLARKNES)	53-5	54-5	LOOPIA	21,150
	API 30.68				500,000.00	CSOTM(10215	EXON(DELVD)	52-0001	53-5	LOOPIA	21,150
V-50142	H.PARADISE(9)	ITALTECH	3/2/2001		500,000.00	047338	MARATHON(DELVD)	TVE VALD 53-5	54-5	LOOP	21,150
TTC 4,000 DAY	BASHRAH	UEB	OSP-3.55		170,000.00	047338	MARATHON(DELVD)	TVE VALD 53-5	54-5	LOOP	21,150
	API 31.47				500,000.00	TOSCO(DELVD)	TVE VALD 53-5	54-5	55-6	LOOP	21,200
					300,000.00	WALDE(DELVD)	54-6	54-6	55-6	LOOP	20,400
					300,000.00	WALDE(DELVD)	54-6	54-6	55-6	LOOP	20,400

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Subcommittee on Investigations

38, Obraztsova str., Moscow 127018, Russia  
Phone: [REDACTED]  
Fax: [REDACTED]  
Telec: [REDACTED]  
E-mail: [REDACTED]

**ROSNEFTEIMPEX**

**Fax**

<b>To:</b>	UN Overseers	<b>From:</b>	S. Issakov
<b>Fax:</b>	1212 963 1628	<b>Pages:</b>	1
<b>Re:</b>		<b>Date:</b>	20.08.01
<b>Att:</b>	Mr.A. Kramer	<b>No.:</b>	

**Ref: Letter from the Office of Overseers dtd 7 June 2001**

Further to our letter of 21 of June, 2001 in reply to the above Overseers' letter, it is our understanding that your Office maintains concerns over final destination of vessel «Hellasport Paradise», B/L 25.02.01.

According to our information the final delivery of Basrah Light corresponding to the shipment from «Hellasport Paradise» was delivered April 2, 2001 to «Valero» (USA) from lighter of the «Rich Dacheff», lightered from «Astro Gama» routed via Suez.

We are providing this information as a courtesy to your office, despite our previous correspondence in this respect.

We hope this clarification of delivery vessels for the above mentioned shipment should finalize this matter.

Best regards,

S.Issakov

Permanent Subcommittee on Investigations  
Bayoil Diversions Report  
EXHIBIT #15

BAYOILUSA014004

13-FEB-2001 18:54

BAPENAF TANKERS

P.02

13-FEB-2001 16:14 FROM

TO 75352627

P.02

ST ASTRO GAMMA  
PIRAEUSPORT : SIDI KERIR  
DATE : FEBRUARY 12<sup>TH</sup> 2001DELIVERY CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE VESSEL UNDER MY COMMAND WAS  
DELIVERED AS PER C/P CLAUSE TO T/C MESSRS 'BAYOIL SUPPLY AND  
TRADING LIMITED' AT SIDI KERIR ON FEBRUARY 12<sup>TH</sup> 2001 AND AT 00.01  
LOCAL TIME ON FEBRUARY 11<sup>TH</sup> 2001 22.01GMT.  
RELEVANT ON HIRE SURVEY CARRIED OUT BY CHARTERERS  
REPRESENTATIVE MR. KHALED OSMAN AND CHIEF ENGINEER MR. STAMOY  
KONSTANTINOS ON OWNERS BEHALF.

SHIP DELIVERED ON ARRIVAL SIDI KERIR, SEAWORTHY HAVING ALL  
CARGO TANKS EMPTY AND SUITABLE TO LOAD NEXT CARGO BASRAH LIGHT  
CRUDE OIL BASIS ATTACHED DETAILED CALCULATIONS.  
TOTAL BUNKERS ON A/M DELIVERY :

FUEL OIL (380 CST) : 2319 MT  
DIESEL OIL : 63 MT

CHARTERERS REPRESENTATIVE

.....  
KHALED OSMAN  
TEL. 05/70 12027

CHIEF ENGINEER

.....  
STAMOY KONSTANTINOS

MASTER

.....  
TEL. IKONOMOPOULOS

**From:** ATT Telex [attmail@telex!0]  
**Sent:** Tuesday, February 13, 2001 11:35 AM  
**To:** telex  
**Subject:** 217 13-02-01

= Redacted by the Permanent  
 Subcommittee on Investigations

402372168 UI

423919110=SYKG X  
CI

NL BURUM LES 423919110=SYKG X 13-FEB-2001 17:29:38 334034

**TO:** BAYOIL SUPPLY AND TRADING LTD  
**CC:** LONE STAR TANKERS INC  
**CC:** ARAB PETROLEUM PIPELINES CO.SUMED EGYPT  
**CC:** KRISTEN PIRAEUS  
**FM:** ASTRO GAMMA

REF:217 13-02-01

PLS BE ADVISED AS FOLLOWS:

AA.SCAC CODE:KRTNSYKG13020101

BB.TVEL ISSUED JULY 11<sup>TH</sup> 2000 EXP.JULY 11<sup>TH</sup> 2001

CC. 111454 ALL FAST

111624 COMM.DEBALLASTING

120001 NOR TENDERED

120001 NOR ACCEPTED

120001 CGO HOSES CONNECTED (2 X 16)

120001 LOADING COMMENCED

120700 DEBALLASTING COMPLETED

131306 LOADING COMPLETED

131406 HOSES DISCONNECTED

131512 ALL CLEAR FROM BERTH

131624 CALCULATION COMPLETED

131736 PILOT DISEMBARKED

131830 FULL AWAY

B/L FIGURES

GROSS BBLS:N/A

NET BBLS:1847551.73

GROSS METRIC TONS:254623.065

NET METRIC TONS:N/A

GROSS LONG TONS:250602.567

NET LONG TONS:N/A

DD.CARGO TEMP. 86.5F/LOWEST TEMP 80F AT NO 3 PORT.

EE.PROTESTS:SHIP FOR:CGO DIFFERENCE-WATER INCREASE-INADEQUATEHOSE  
HOSE CONNECTION.

FF.API:31.74

GG.CONSIGNEE:ISSUED TO THE ORDER OF CREDIT AGRICOLE INDOSUEZ

HH.BL API:31.74

II.BL DATE:FEBRUARY 13<sup>TH</sup> 2001

JJ.SHIP'S FIGURES AFTER VEF APPLIED:

1854130 BBLS AT 60F/254961.416 MTONS/250933.926 LTONS.

RGDS/MASTER

From: [REDACTED]  
 Sent: Wednesday, February 14, 2001 11:17 AM  
 To: Vessel Astro Gamma (Business Fax); [REDACTED] (E-mail)  
 Cc: SGS Inspection Co. (E-mail); Agents Gibraltar (E-mail); LST  
 Subject: Astro Gamma – proceeding orders

To: Astro Gamma  
 Attn: Master  
 CC: Braemar  
 Attn: Mark  
 CC: SGS  
 Attn: Surveyor

[REDACTED] = Redacted by the Permanent  
 Subcommittee on Investigations

Re: Astro Gamma – proceeding orders

Vsl to proceed to Gibraltar for loading approx. 9,000 mt suppliers Peninsular on or about Feb. 19 pm. SGS will be inspectors for bunker survey. Upon completion of bunkering vsl then to proceed to South Sabine Lightering Area for orders.

The agents to use at Gib are:

J. LUCAS IMOSI AND SONS LTD.  
 1/5 IRISH TOWN  
 P.O. BOX 167  
 GIBRALTAR  
 TLX: [REDACTED]  
 CABLE: PUMP  
 PHONE: [REDACTED]  
 FAX: [REDACTED]  
 EMAIL: [REDACTED]

Brgs,  
 For and on Behalf of Bayoil

End msg

**From:** [REDACTED]  
**Sent:** Wednesday, February 14, 2001 11:22 AM  
**To:** Darleen Samayoa (E-mail); Mary Jenkins (E-mail); Jean Johnston (E-mail)  
**Cc:** LST  
**Subject:** Astro Gamma – proceeding orders for bunkers stemmed at Gib.

Darleen,

Stemmed below bunkers for \$134.50 on 30 day credit. Also pls confirm with SGS for bunker survey.

-----Original Message-----

**From:** [REDACTED]  
**Sent:** Wednesday, February 14, 2001 11:17 AM  
**To:** Vessel Astro Gamma (Business Fax); Mark Szpiek (E-mail)  
**Cc:** SGS Inspection Co. (E-mail); Agents Gibraltar (E-mail); LST  
**Subject:** Astro Gamma – proceeding orders

To: Astro Gamma  
 Attn: Master  
 CC: Braemar  
 Attn: Mark  
 CC: SGS  
 Attn: Surveyor

[REDACTED] = Redacted by the Permanent  
 Subcommittee on Investigations

Re: Astro Gamma – proceeding orders

Vsl to proceed to Gibraltar for loading approx. 9,000 mt suppliers Peninsular on or about Feb. 19 pm. SGS will be inspectors for bunker survey. Upon completion of bunkering vsl then to proceed to South Sabine Lightering Area for orders.

The agents to use at Gib are:

J. LUCAS IMOSI AND SONS LTD.  
 1/5 IRISH TOWN  
 P.O. BOX 167  
 GIBRALTAR  
 TLX: 2221  
 CABLE: PUMP  
 PHONE: 73500/73525/  
 FAX: 73550  
 EMAIL: [EQUIRES@IMOSI.GIB.GI](mailto:EQUIRES@IMOSI.GIB.GI)

Brgs,  
 For and on Behalf of Bayoil

End msg



— = Redacted by the Permanent  
Subcommittee on Investigations

From: ATT Telex [attmail!telex!0]  
Sent: Thursday, February 15, 2001 6:56 AM  
To: telex  
Subject: AE555MT/BY

402372168 UI

TRQPI SUMED UN

15 FEB 01 12:46 GMT

SUBJECT: AE555MT/BY  
MSG 6972 15-FEB-2001 14:13

TO : BAYOIL SUPPLY AND TRADING LIMITED  
TLX NO. 402372168  
ATTN : MR. DAVID KOWALIK U.S.A.  
FROM: SUMED SCHEDULING ? OIL MOVEMENT DEPT.  
DATE: 15/02/2001  
SC/555

VESSEL: ASTRO GAMMA SHIP.NO:SK/BY/003/0101

QUANTITY LOADED

	GROSS	NET
CU.MT. AT 60 F :	294,405.265	293,737.755
BBLS . AT 60 F :	1,851,750.240	1,847,551.730
M/TONS :	254,623.065	254,045.753
L/TONS :	250,602.567	250,034.371
API :	31.74	KIN.VIS. : 7.93
CARGO BSW / :	0.230	PCT VOL AVERAGE BSW /:0.227 PCT VOL
SEALINE BSW / :	0.146	PCT VOL BSW VOLUME :667.510 CU.MT.
CRUDE TYPE :	BASRAH LIGHT	

TIME SHEET

	DATE	HOUR
ARRIVED SIDI KERIR :	10/02	1930
LOADING STARTED :	12/02	0001
LOADING COMPLETED :	13/02	1306
LEFT BUOY :	13/02	1512
DIRTY BALLAST :	41,000.000 M.T.	

BEST REGARDS  
A. MOKHTAR / A.ETMAN  
SCHEDULING ? STOCK CONTROL DEPT.

54108 SUMED UN

402372168 UI

— = Redacted by the Permanent  
Subcommittee on Investigations

From: [REDACTED]  
Sent: Wednesday, March 21, 2001 5:25 PM  
To: Vessel Astro Gamma (E-mail)  
Cc: LST  
Subject: ASTRO GAMMA C/P FEBRUARY 9, 2001 - V-50128 - DISCHARGE INSTRUCTIONS

PLS CONFIRM RECEIPT AND THAT MASTER HAS BEEN INSTRUCTED ACCORDINGLY.

MARCH 21,2001

RE: ASTRO GAMMA C/P FEBRUARY 9, 2001 - V-50128

PLS PASS ON FOLLOWING DISCHARGE INSTRUCTIONS TO OWNERS:

PLEASE INSTRUCT MASTER OF VESSEL TO PROCEED SOUTH SABINE POINT LIGHTERING AREA (28-30N 93-40W) AND BE READY IN ALL RESPECTS TO DISCHARGE CARGO AS FOLLOWS (SUBJECT TO CHANGE):

- 1) VESSEL TO LIGHTER 550 MIN/MAX ACAP GSV AT 60 DEG F CONSISTENT WITH AET SERVICE SHIP "TBN"/SUB MASTER'S INSTRUCTION FOR SAFE ARRIVAL DRAFT NEDERLAND, TX TO RECEIVERS THE PREMCOR REFINING GROUP, LP
- 2) VESSEL TO LIGHTER 94 MB MIN/MAX ACAP GSV AT 60 DEG F CONSISTENT WITH SKAUGEN SERVICE SHIP "GENMAR SUN"/SUB MASTER'S INSTRUCTION FOR SAFE ARRIVAL DRAFT NEDERLAND, TX TO RECEIVERS DIAMOND SHAMROCK REFINING CO., LP.
- 3) VESSEL TO LIGHTER 129 MB MIN/MAX ACAP GSV AT 60 DEG F CONSISTENT WITH MTL SERVICE SHIP "TBN"/SUB MASTER'S INSTRUCTION FOR SAFE ARRIVAL DRAFT CORPUS CHRISTI, TX FOR DELIVERY TO RECEIVERS TBN.
- 4) VESSEL TO LIGHTER 550 MIN/MAX ACAP GSV AT 60 DEG F CONSISTENT WITH AET SERVICE SHIP "TBN"/SUB MASTER'S INSTRUCTION FOR SAFE ARRIVAL DRAFT NEDERLAND, TX TO RECEIVERS THE PREMCOR REFINING GROUP, LP
- 5) VESSEL TO LIGHTER BALANCE CARGO APPROX. 525 MB GSV AT 60 DEG F CONSISTENT WITH SKAUGEN SERVICE SHIP "TBN"/SUB MASTER'S INSTRUCTION FOR SAFE ARRIVAL DRAFT TEXAS CITY, TX TO RECEIVERS VALERO MARKETING AND SUPPLY CO.

AGENTS TO BE APPOINTED AT LIGHTERAGE:

OBC HOUSTON

TEL: [REDACTED]  
FAX: [REDACTED]  
TLX: [REDACTED]  
CONTACT: [REDACTED]

MASTER TO PROVIDE 96/72/48/24 HOURS LOCAL TIME NOTICE OF ARRIVAL, POSITION ON HIGH SEA, 6 HOURS NOR AND ANY CHANGE OF ETA EXCEEDING SIX HOURS OR MORE TO THE FOLLOWING PARTIES:

BAYOIL HOUSTON (TLX 3771825)AND(408368232)

AGENTS OBC

457

MASTER TO NOTIFY CHARTERERS, OBC AND LONESTAR ONLY THRU TELEX NUMBER HOUSTON 3771825 AND 408368232 OF ARRIVAL TIME, TIME NOR TENDERED, EXPECTED COMMENCEMENT OF LIGHTERING OPERATIONS, ANY EXPECTED DELAYS AND REASON FOR SAME.

MASTER TO ISSUE LETTER OF PROTEST IF NECESSARY. MASTER IS REQUESTED TO ADVISE CHARTERERS OF ANY ANTICIPATED STOPPAGE(S) AS SOON AS KNOWN, CARGO TEMPERATURE ON ARRIVAL AT DISPORT AND STATING LOWEST TEMP AND TANK LOCATION OF SAME, BRIEF DETAILS OF ANY LETTERS OF PROTEST MADE BY SHIP/ShORE/INSPECTORS, API GRAVITY OF CARGO AT 60 DEG F.

PLEASE BE ADVISED REPRESENTATIVE (NAME TO BE ADVISED) OF OIL INSPECTIONS WILL ATTEND LIGHTERING OPERATIONS ON BEHALF OF OWNERS AND CHARTERERS IN RESPECT TO LOSS CONTROL. PLEASE ADVISE ANY OBJECTION TO SAME AND EXTEND ALL COURTESIES.

PLS CONFIRM RECEIPT OF THE ABOVE AND THAT MASTER INSTRUCTED ACCORDINGLY.

THANK YOU AND REGARDS,  
DARLEEN SAMAYOA  
FOR AND ON BEHALF OF  
BAYOIL SUPPLY & TRADING LIMITED

4:16 PM  
07/16/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
Transaction Detail By Account  
January 1996 through December 2003

Type	Date	Num	Name	Memo	Class	Split	Amount	Balance
<b>Gross Sales</b>								
<b>Sales - Oil Products</b>								
General Journal	2/28/2001	Je-Ck-16a	Econ	G. Fountain	V-50128	Interest		
General Journal	2/28/2001	Je-Ck-16a	BP OIL INTERNA...	GERANI	V-50128	Interest		
General Journal	2/28/2001	Je-Ck-16b	PACC	A. Gamma-4	V-50128	Accounts Re...		
General Journal	2/28/2001	Je-Ck-16b	PACC	A. Gamma-4	V-50128	Accounts Re...		
General Journal	2/28/2001	Je-Ck-16b	ENRON	A. Gamma-4	V-50128	Accounts Re...		
General Journal	2/28/2001	Je-Ck-16b	VALERO MARKE...	A. Gamma-4	V-50128	Accounts Re...		
General Journal	2/28/2001	Je-Ck-16b	Diamond Shamro...	A. Gamma-4	V-50128	Accounts Re...		
Deposit	4/3/2001	REV	PORT ARTHUR ...	A.GAMMA-4	V-50128	Cash - CAI 1...		
Check	4/3/2001	PYMT	CAI	A.GAMMA-4	V-50128	Bankque Brst...		
Deposit	4/5/2001	REV	Diamond Shamro...	A. Gamma-4	V-50128	Bankque Brst...		
Check	4/6/2001	PYMT	CAI	A.GAMMA-4	V-50128	Bankque Brst...		
Deposit	4/12/2001	REV	PARIBAS SUISSE	A.GAMMA-4	V-50128	Cash - CAI 1...		
Check	4/12/2001	PYMT	CAI	A.GAMMA-4	V-50128	BNP Paribas...		
Deposit	4/12/2001	REV	ENRON	A.GAMMA-4	V-50128	BNP Paribas...		
General Journal	5/31/2001	Je-Ck-20	Various	POOL	V-50128	Accounts Re...		
<b>Total Sales - Oil Products</b>							86,038,890.96	86,038,890.96
<b>Total Gross Sales</b>							86,038,890.96	86,038,890.96
<b>Cost of Sales</b>								
<b>Broker Comm</b>								
Check	5/1/2001	WT	AMEREX PETRO...	G.FOUNTAIN	V-50128	Cash - Wells		
Check	5/9/2001	WT	AMEREX PETRO...	G.FOUNTAIN	V-50128	Cash - Wells		
Check	5/9/2001	WT	AMEREX PETRO...	G.FOUNTAIN	V-50128	Cash - Wells		
Check	5/9/2001	WT	AMEREX PETRO...	G.FOUNTAIN	V-50128	Cash - Wells		
Check	5/9/2001	WT	AMEREX PETRO...	G.FOUNTAIN	V-50128	Cash - Wells		
Check	5/15/2001	1307	ECHO ENERGY	C2103/A.G...	V-50128	Cash - Wells		
Check	5/15/2001	1307	ECHO ENERGY	C2113/A.G...	V-50128	Cash - Wells		
Check	5/15/2001	1307	ECHO ENERGY	C2132/A.G...	V-50128	Cash - Wells		
Check	5/15/2001	1307	ECHO ENERGY	C2154/A.G...	V-50128	Cash - Wells		
Check	5/15/2001	1307	ECHO ENERGY	C2197/A.G...	V-50128	Cash - Wells		
Check	5/15/2001	1309	OIL ASSOCIATE...	A.Gamma-...	V-50128	Cash - Wells		
Check	5/15/2001	1309	OIL ASSOCIATE...	A.Gamma-...	V-50128	Cash - Wells		
Check	5/15/2001	1309	OIL ASSOCIATE...	A.Gamma-...	V-50128	Cash - Wells		
<b>Total Broker Comm</b>							-16,874.50	-16,874.50
<b>Exchange gain/loss</b>								
Check	2/22/2001	WT	ITALTECH SRL	G. FOUNT...	V-50128	Cash - CAI 1...	-43,525.10	-43,525.10
General Journal	2/28/2001	Je-Ck-16b	Accrual	H. Paradise-3	V-50128	Accounts Re...	-36,430.20	-79,955.30
Check	3/26/2001	WT	UNITED NATIONS	H. PARADIS...	V-50128	Cash - CAI 1...	-36,430.20	-116,385.50
General Journal	3/31/2001	Je-Ck-20	Reverse Accrual	G F/A, GHP	V-50128	-SPLIT-	36,430.20	-79,955.30
General Journal	3/31/2001	Je-Ck-20	Accrual	GFIAGHP	V-50128	Exchange ga...	21,936.02	-58,019.28
<b>Total Exchange gain/loss</b>							-88,019.28	-58,019.28
<b>Pipeline Charges</b>								
Check	2/5/2001	PIPE	SUMED	GOLDEN F...	V-50128	Cash - CAI 1...	-678,520.28	-678,520.28
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountain	V-50128	Interest	340,895.27	-334,625.12
General Journal	2/28/2001	Je-Ck-16b	Accrual	H. Paradise-3	V-50128	Accounts Re...	-708,650.00	-1,043,275.12
Check	3/8/2001	PYMT	SUMED	H. PARADIS...	V-50128	Cash - CAI 1...	-378,417.00	-1,419,892.12
Check	3/12/2001	PYMT	SUMED	H. PARADISE	V-50128	Cash - CAI 1...	-332,233.00	-1,751,925.12
General Journal	6/30/2001	Je-Ck-24	Accrual	H. Paradise-3	V-50128	Estimated C...	71,678.02	-1,680,246.10
Deposit	7/10/2001	REV	ARAB PETROLE...	H. PARADIS...	V-50128	BNP Paribas...	14,248.98	-1,665,996.12
General Journal	7/31/2001	Je-Ck-24	Reverse Accrual	H. Paradise-3	V-50128	-SPLIT-	708,650.00	-957,346.12
<b>Total Pipeline Charges</b>							-957,346.12	-957,346.12
<b>Demurrage @ Lighter</b>								
General Journal	2/28/2001	Je-Ck-16b	Accrual	a. gamma-4	V-50128	Accounts Re...	31,312.78	31,312.78
General Journal	12/31/2001	Je-Ck-06	Reverse Accrual	POOL	V-50128	-SPLIT-	-31,312.78	0.00
<b>Total Demurrage @ Lighter</b>							0.00	0.00
<b>Storage</b>								
Check	3/20/2001	PYMT	SUMED	G.FOUNTAIN	V-50128	Cash - CAI 1...	-36,702.53	-36,702.53
<b>Total Storage</b>							-36,702.53	-36,702.53
<b>Crude Purchases</b>								
Check	2/22/2001	WT	ITALTECH SRL	G. FOUNT...	V-50128	Cash - CAI 1...	-47,861,299.22	-47,861,299.22
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountain...	V-50128	Interest	-3,381,000.00	-51,242,299.22
General Journal	2/28/2001	Je-Ck-16b	Accrual	H. Paradise-3	V-50128	Accounts Re...	-36,384,737.20	-87,727,036.42
General Journal	2/28/2001	Je-Ck-28	Accrual	G. FOUNT	V-50128	Crude Purch...	-662,172.00	-94,289,208.42
Check	3/28/2001	PYMT	RUSNAFTAMPE...	H. PARADIS...	V-50128	Cash - CAI 1...	-738,107.40	-95,027,315.82
Check	4/5/2001	EXCHANGE	ITALTECH SRL	G.FOUNTAIN	V-50128	Cash - CAI 1...	-160,521.17	-95,187,836.99
Check	4/23/2001	EXCHANGE	ITALTECH SRL	G.FOUNTAIN	V-50128	Cash - CAI 1...	-401,489.16	-95,589,326.15
General Journal	5/31/2001	Je-Ck-20	Reverse Accrual	POOL	V-50128	Accounts Re...	562,172.00	-95,027,154.15
<b>Total Crude Purchases</b>							-89,028,154.15	-89,028,154.15

Redacted by the  
Permanent Subcommittee  
on Investigations

Redacted by the  
Permanent Subcommittee  
on Investigations

Permanent Subcommittee on Investigations

Bayoil Diversions Report  
EXHIBIT #17

4:18 PM

07/16/04

Accrual Basis

Bayoil Supply & Trading, Ltd.  
Transaction Detail By Account  
January 1995 through December 2003

Type	Date	Num	Name	Memo	Class	Split	Amount	Balance
Interest								
Check	1/31/2001	LOAN	FIXED TERM AD...	G. FOUNT...	V-50128	Cash - CAI 1...		
General Journal	1/31/2001	Je-Ck-14	Accrual	G. Fountai...	V-50128	Cash - CAI 1...		
Check	2/6/2001	LOAN	FIXED TERM AD...	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/12/2001	LOAN	FIXED TERM AD...	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/13/2001	LOAN	FIXED TERM AD...	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/22/2001	LOAN	FIXED TERM AD...	G. FOUNT...	V-50128	Cash - CAI 1...		
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountai...	V-50128	SPLIT-		
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountai...	V-50128	Interest		
General Journal	2/28/2001	Je-Ck-16b	Accrual	H. Paradise-3	V-50128	Accounts Re...		
Check	3/9/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	3/9/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/9/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/9/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/9/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/12/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	3/12/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	3/18/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/18/2001	LOAN	FIXED TERM AD...	ASTRO GA...	V-50128	Cash - CAI 1...		
Check	3/23/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	3/23/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	3/23/2001	LOAN	FIXED TERM AD...	ASTRO GA...	V-50128	Cash - CAI 1...		
Check	3/23/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/26/2001	LOAN	FIXED TERM AD...	ASTRO GA...	V-50128	Cash - CAI 1...		
Check	3/26/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	3/30/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/30/2001	INT	INTEREST CHA...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
General Journal	3/31/2001	Je-Ck-20	Reverse Accrual	G.FOUNTAIN	V-50128	Exchange ga...		
Check	4/2/2001	LOAN	FIXED TERM AD...	ASTRO GA...	V-50128	Cash - CAI 1...		
Check	4/2/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/3/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/4/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	4/4/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	4/4/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
General Journal	4/5/2001	INT	INTEREST CHA...	HELLESPO...	V-50128	25302Carr...		
Check	4/6/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	4/6/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/6/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/12/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/12/2001	LOAN	FIXED TERM AD...	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	4/12/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/20/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	5/1/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	5/2/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	5/3/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	5/4/2001	LOAN	FIXED TERM AD...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
General Journal	5/7/2001	INT	INTEREST CHA...	HELLESPO...	V-50128	25302Carr...		
General Journal	5/31/2001	Je-Ck-20	Reverse Accrual	POOL	V-50128	Accounts Re...		
General Journal	6/6/2001	INT	INTEREST CHA...	HELLESPO...	V-50128	25302Carr...		
Total Interest							-1,048,170.62	-1,048,170.62
Inspection								
Check	2/27/2001	INSP.	OIL INSPECTION...	GOLDEN F...	V-50128	Cash - CAI 1...		
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountai...	V-50128	Interest		
General Journal	2/28/2001	Je-Ck-16b	Accrual	a. gamma-4	V-50128	Accounts Re...		
Check	4/27/2001	PYMNT	CALEB BRETT U...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	5/3/2001	PYMNT	OIL INSPECTION	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	5/3/2001	PYMNT	OIL INSPECTION	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	5/3/2001	PYMNT	OIL INSPECTION	A GAMMA-4	V-50128	Cash - CAI 1...		
General Journal	5/3/2001	Je-Ck-20	Reverse Accrual	POOL	V-50128	Accounts Re...		
Check	6/5/2001	PYMNT	CALEB BRETT U...	A.GAMMA-4	V-50128	Cash - CAI 1...		
Check	6/6/2001	PYMNT	CALEB BRETT U...	A.GAMMA-4	V-50128	Cash - CAI 1...		
General Journal	7/31/2001	Je-Ck-24	Reverse Accrual	Pool	V-50128	Pipeline Che...		
Deposit	8/4/2001	INSP	INSPECTORATE...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	8/14/2001	INSP	INSPECTORATE...	ASTRO GA...	V-50128	Cash - CAI 1...		
Check	8/14/2001	INSP	INSPECTORATE...	ASTRO GA...	V-50128	Cash - CAI 1...		
Check	8/14/2001	INSP	INSPECTORATE...	ASTRO GA...	V-50128	Cash - CAI 1...		
Check	8/28/2001	INSP	OIL INSPECTION...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	8/28/2001	INSP	OIL INSPECTION...	A.GAMMA-4	V-50128	Cash - CAI 1...		
Check	8/28/2001	INSP	OIL INSPECTION...	GERANI	V-50128	Cash - CAI 1...		
Check	8/28/2001	INSP	OIL INSPECTION...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	8/28/2001	INSP	OIL INSPECTION...	H.PARADIS...	V-50128	Cash - CAI 1...		

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4:16 PM  
07/18/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
Transaction Detail By Account  
January 1995 through December 2003

Type	Date	Num	Name	Memo	Class	Split	Amount	Balance
Check	8/28/2001	INSP	OSC SHIPPING I...	ASTRO GA...	V-50128	Cash - CAI 1...	Redacted by Permanent Subcommittee on Investigations	
General Journal	12/31/2001	Je-Ck-82	Accrual	Pool	V-50128	Estimated C...		
Check	6/18/2002	INSP	INSPECTORATE...	G.FOUNTAIN	V-50128	BNP Paribas...		
Total Inspection							-93,555.56	-93,555.56
Insurance							Redacted by the Permanent Subcommittee on Investigations	
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountai...	V-50128	Interest		
General Journal	2/28/2001	Je-Ck-16b	Accrual	a. gamma-4	V-50128	Accounts Re...		
Check	3/23/2001	PYMT	CRAIG FERGUS...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
General Journal	3/21/2001	Je-Ck-18b	Reverse Accrual	GF/AGHP	V-50128	Exchange ga...		
General Journal	12/31/2001	Je-Ck-08	Reverse Accrual	a. gamma-4	V-50128	Demurrage ...		
Total Insurance							-28,873.78	-28,873.78
LC Charges								
Check	1/19/2001	LC	ITALTECH SRL	GOLDEN F...	V-50128	Cash - CAI 1...	-52,790.00	-52,790.00
General Journal	1/31/2001	Je-Ck-14	Accrual	G. Fountain	V-50128	Cargos in tra...	52,790.00	0.00
General Journal	2/28/2001	Je-Ck-18a	Accrual	G. Fountain	V-50128	Interest	-52,790.00	-52,790.00
General Journal	2/28/2001	Je-Ck-18b	Accrual	a. gamma-4	V-50128	Accounts Re...	-50,000.00	-102,790.00
General Journal	3/31/2001	Je-Ck-20	Reverse Accrual	GF/AGHP	V-50128	Exchange ga...	50,000.00	-52,790.00
Total LC Charges							-52,790.00	-52,790.00
Freight								
Check	1/19/2001	FREIGHT	TANKERS INTE...	GOLDEN F...	V-50128	Cash - CAI 1...		
Check	1/22/2001	FREIGHT	TANKERS INTE...	GOLDEN F...	V-50128	Cash - CAI 1...		
General Journal	1/31/2001	Je-Ck-14	Accrual	G. Fountain	V-50128	Cargos in tra...		
Check	2/28/2001	FREIGHT	ASTRO TANKER...	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	2/27/2001	FREIGHT	ASTRO TANKER...	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	2/28/2001	FREIGHT	FAL ENERGY C...	G. FOUNT...	V-50128	Cash - CAI 1...		
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountain	V-50128	Interest		
General Journal	2/28/2001	Je-Ck-18b	Accrual	H. Paradise-3	V-50128	Accounts Re...		
General Journal	2/28/2001	Je-Ck-18b	Accrual	A. Gamma-4	V-50128	Accounts Re...		
Check	2/28/2001	FREIGHT	FAL ENERGY C...	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	3/5/2001	PYMT	HELLESPOINT S...	H. PARADIS...	V-50128	Cash - CAI 1...		
Check	3/14/2001	PYMT	ASTRO TANKER...	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	3/21/2001	PYMT	PENINSULA PET...	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	3/28/2001	PYMT	AVIN INTL S.A.	H. Paradise...	V-50128	Cash - CAI 1...		
Check	3/30/2001	PYMT	FAL ENERGY C...	H. PARADIS...	V-50128	Cash - CAI 1...		
Check	3/30/2001	PYMT	FAL ENERGY C...	H. Paradise-3	V-50128	Cash - CAI 1...		
General Journal	3/31/2001	Je-Ck-04	Reverse Accrual	A. Gamma-4	V-50128	Estimated C...		
General Journal	3/31/2001	Je-Ck-04	Accrual	A. Gamma-4	V-50128	Estimated C...		
General Journal	3/31/2001	Je-Ck-04	Reclass	A. Gamma-4	V-50128	Estimated C...		
General Journal	3/31/2001	Je-Ck-04	Accrual	A. Gamma-4	V-50128	Estimated C...		
General Journal	3/31/2001	Je-Ck-05A	Accrual	G. Fountain	V-50128	-SPLIT-		
General Journal	3/31/2001	Je-Ck-05A	Accrual	G. Fountain	V-50128	Freight		
General Journal	3/31/2001	Je-Ck-06A	Reclass	H. Paradise-3	V-50128	Estimated C...		
General Journal	3/31/2001	Je-Ck-06B	Reverse Accrual	H. Paradise-3	V-50128	Estimated C...		
Check	4/12/2001	PYMT	ASTRO TANKER...	A. Gamma-4	V-50128	BNP Paribas...		
Check	4/24/2001	PYMT	HELLESPOINT S...	H. PARADIS...	V-50128	Cash - CAI 1...		
Check	5/8/2001	PYMT	LUCAS MOSSI S...	A. GAMMA-4	V-50128	BNP Paribas...		
Check	5/8/2001	PYMT	THE KANOO GR...	H. PARADIS...	V-50128	BNP Paribas...		
General Journal	5/31/2001	Je-Ck-20	Reverse Accrual	POL	V-50128	Accounts Re...		
General Journal	5/31/2001	Je-Ck-08	Reverse Accrual	A. GAMMA-4	V-50128	Accounts Re...		
Check	6/13/2001	PYMT	HELLESPOINT S...	H. Par-3 re...	V-50128	BNP Paribas...		
Check	6/13/2001	PYMT	HELLESPOINT S...	H. Par-3 ad...	V-50128	BNP Paribas...		
General Journal	6/30/2001	Je-Ck-08	Reclass	A. GAMMA-4	V-50128	Freight		
General Journal	6/30/2001	Je-Ck-07	Reverse Accrual	A. GAMMA-4	V-50128	-SPLIT-		
General Journal	6/30/2001	Je-Ck-07	Reclass	A. GAMMA-4	V-50128	Freight		
General Journal	6/30/2001	Je-Ck-10	Reclass	H. Paradise-3	V-50128	Freight		
General Journal	6/30/2001	Je-Ck-10	Reclass	H. Paradise-3	V-50128	Freight		
General Journal	6/30/2001	Je-Ck-10	Reverse Accrual	H. Paradise-3	V-50128	Freight		
General Journal	6/30/2001	Je-Ck-10	Reverse Accrual	H. Paradise-3	V-50128	Freight		
General Journal	6/30/2001	Je-Ck-11	Reverse Accrual	A. GAMMA-4	V-50128	Freight		
General Journal	6/30/2001	Je-Ck-25	Reclass	G. Fountain-2	V-50128	LC Charges		
General Journal	7/31/2001	Je-Ck-24	Reverse Accrual	G. Fountain	V-50128	Pipeline Cha...		
Check	11/7/2001	FRGHT	LUCAS MOSSI S...	A. GAMMA-4	V-50128	BNP Paribas...		
Check	10/31/2002	FRGHT	GULF AGENCY ...	H. PARADIS...	V-50128	BNP Paribas...		
Total Freight							-7,499,771.78	-7,499,771.78
Demurrage								
General Journal	2/28/2001	Je-Ck-18b	Accrual	a. gamma-4	V-50128	Accounts Re...	Redacted by the Permanent Subcommittee on Investigations	
General Journal	3/31/2001	Je-Ck-20	Reverse Accrual	GF/AGHP	V-50128	Exchange ga...		
General Journal	3/31/2001	Je-Ck-20	Accrual	GERANI	V-50128	Exchange ga...		
General Journal	8/30/2001	Je-Ck-18	Reclass	A. Gamma-4	V-50128	Sales - CAI 1...		
Check	9/4/2001	DEM	AVIN INTL S.A.	GERANI(Po...	V-50128	Cash - CAI 1...		
General Journal	9/30/2001	Je-Ck-34a	Reverse Accrual	Gerani (pool)	V-50128	Estimated C...		
Total Demurrage							273,106.37	273,106.37

4:16 PM  
07/16/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
Transaction Detail By Account  
January 1995 through December 2003

Type	Date	Num	Name	Memo	Class	Split	Amount	Balance
<b>Finance Charges</b>								
Check	1/19/2001	FREIGHT	TANKERS INTE...	GOLDEN F...	V-50128	Cash - CAI 1...		
Check	1/22/2001	FREIGHT	TANKERS INTE...	GOLDEN F...	V-50128	Cash - CAI 1...		
General Journal	1/31/2001	Je-Ck-14	Accrual	G. Fountain	V-50128	Cargoes in tra...		
Check	2/5/2001	PIPE	SUMED	GOLDEN F...	V-50128	Cash - CAI 1...		
Check	2/6/2001	BC	CARR FUTURES	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/9/2001	BC	CARR FUTURES	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/13/2001	LC	ARCADIA PETR...	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/14/2001	BC	CARR FUTURES	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/26/2001	FREIGHT	ASTRO TANKER...	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	2/21/2001	PYMT	Philco	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/22/2001	WT	ITALTECH SRL	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/23/2001	BC	CARR FUTURES	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/26/2001	BC	CARR FUTURES	G. FOUNT...	V-50128	Cash - CAI 1...		
Check	2/27/2001	FREIGHT	ASTRO TANKER...	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	2/28/2001	FREIGHT	FAL ENERGY C...	G. FOUNT...	V-50128	Cash - CAI 1...		
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountain	V-50128	Interest		
General Journal	2/28/2001	Je-Ck-16b	Accrual	H. Paradise-3	V-50128	Accounts Re...		
Check	3/6/2001	PYMT	HELLESPONT S...	H. PARADIS...	V-50128	Cash - CAI 1...		
Check	3/6/2001	PYMT	SUMED	H. PARADIS...	V-50128	Cash - CAI 1...		
Check	3/12/2001	PYMT	SUMED	H. PARADISE	V-50128	Cash - CAI 1...		
Check	3/14/2001	PYMT	ASTRO TANKER...	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	3/15/2001	BC	BANK CHARGES	G. FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/20/2001	PYMT	SUMED	G. FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/21/2001	PYMT	PENINSULA PET	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	3/26/2001	PYMT	RUSNAFTAMPE	H. PARADIS	V-50128	Cash - CAI 1...		
Check	3/26/2001	WT	UNITED NATIONS	H. PARADIS	V-50128	Cash - CAI 1...		
Check	3/28/2001	PYMT	AVIN INTL S.A.	H. Paradise...	V-50128	Cash - CAI 1...		
Check	3/30/2001	PYMT	FAL ENERGY C...	H. PARADIS...	V-50128	Cash - CAI 1...		
General Journal	3/31/2001	Je-Ck-20	Reverse Accrual	GFIAG/HP	V-50128	Exchange ga...		
Deposit	4/2/2001	REV	PORT ARTHUR ...	A. GAMMA-4	V-50128	Bankque Brux...		
Check	4/2/2001	BC	BANK CHARGES	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	4/4/2001	PYMT	Gulfstream	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	4/9/2001	BC	BANK CHARGES	G. FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/9/2001	BC	BANK CHARGES	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	4/9/2001	BC	BANK CHARGES	G. FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/9/2001	PYMT	CAI	A. GAMMA-4	V-50128	Bankque Brux...		
Deposit	4/9/2001	rev	PORT ARTHUR ...	a. Gamma-4	V-50128	Cash - CAI 1...		
Check	4/12/2001	BC	BANK CHARGES	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	4/12/2001	BC	BANK CHARGES	GERANI	V-50128	Cash - CAI 1...		
Deposit	4/12/2001	REV	VALERO MARKE...	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	4/12/2001	PYMT	CAI	A. GAMMA-4	V-50128	BNP Paribas ...		
Deposit	4/13/2001	REV	Exxon	G. FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/19/2001	BC	BANK CHARGES	G. FOUNTAIN	V-50128	Cash - CAI 1...		
Deposit	4/20/2001	REV	Exxon	G. FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/24/2001	PYMT	HELLESPONT S...	H. PARADIS...	V-50128	Cash - CAI 1...		
Check	4/27/2001	PYMT	CALES BRETT U...	G. FOUNTAIN	V-50128	Cash - CAI 1...		
Check	5/2/2001	PYMT	CIL INSPECTION	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	6/6/2001	PYMT	CALES BRETT U	A. GAMMA-4	V-50128	Cash - CAI 1...		
Check	8/4/2001	DEM	AVIN INTL S.A.	GERANI(Po...	V-50128	Cash - CAI 1...		
Check	8/18/2002	INSP	INSPECTORATE ..	G. FOUNTAIN	V-50128	BNP Paribas...		
<b>Total Finance Charges</b>							-100,553.10	-100,553.10
<b>Lightering Charges</b>								
General Journal	2/28/2001	Je-Ck-18b	Accrual	A Gamma-4	V-50128	Accounts Re...		
General Journal	3/31/2001	Je-Ck-20	Reverse Accrual	GFIAG/HP	V-50128	Exchange ga...		
Check	4/4/2001	PYMT	Gulfstream	A. GAMMA-4	V-50128	Cash - CAI 1...		
Deposit	6/21/2001	DEM	PORT ARTHUR ...	A. GAMMA-4	V-50128	Cash - CAI 1...		
Deposit	8/4/2001	CAI	CAI	A. GAMMA-4	V-50128	Cash - CAI 1...		
Deposit	2/6/2002	WT	Gulfstream	A. GAMMA-4	V-50128	Cash - Wells...		
<b>Total Lightering Charges</b>							27,673.01	27,673.01
<b>Total Cost of Sales</b>							-66,516,032.02	-66,516,032.02

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4:16 PM  
07/16/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
Transaction Detail By Account  
January 1996 through December 2003

Type	Date	Num	Name	Memo	Class	Split	Amount	Balance
<b>Bank Service Charges</b>								
Check	2/22/2001	WT	ITALTECH SRL	G. FOUNT...	V-50128	Cash - CAI 1...		
General Journal	2/28/2001	Je-Ch-16b	Accrual	H. Paradise-3	V-50128	Accounts Re...		
Check	3/5/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/6/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/6/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/13/2001	BC	Phibro	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/13/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/15/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/16/2001	BC	SHELL INTL. TR...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/16/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/19/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/22/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/26/2001	WT	UNITED NATIONS	H.PARADIS...	V-50128	Cash - CAI 1...		
Check	3/28/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/28/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	3/30/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/2/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Check	4/11/2001	BC	BANK CHARGES	G.FOUNTAIN	V-50128	Cash - CAI 1...		
General Journal	5/1/2001	Je-Ch-20	Reverse Accrual	POOL	V-50128	Accounts Re...		
Deposit	8/4/2001		CAI	G.FOUNTAIN	V-50128	Cash - CAI 1...		
<b>Total Bank Service Charges</b>							-748.45	-748.45
<b>Swap-Bookout</b>								
Check	2/21/2001	PYMT	Phibro	G. FOUNT...	V-50128	Cash - CAI 1...		
General Journal	2/28/2001	Je-Ch-16a	Accrual	G. Fountain	V-50128	Interest		
Deposit	3/9/2001	REV	Glencone Internat.	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Deposit	3/9/2001	REV	Phibro	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Deposit	3/9/2001	REV	ARCADIA PETR...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Deposit	3/30/2001	REV	Phibro	G.FOUNTAIN	V-50128	Cash - CAI 1...		
General Journal	3/31/2001	Je-Ch-20	Reverse Accrual	GFIAGHP	V-50128	Exchange ga...		
Deposit	4/4/2001	REV	BP OIL INTERNA...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Deposit	4/5/2001	REV	Phibro	G.FOUNTAIN	V-50128	Cash - CAI 1...		
Deposit	4/20/2001	REV	SHELL INTL. TR...	G.FOUNTAIN	V-50128	Cash - CAI 1...		
General Journal	5/1/2001	Je-Ch-20	Reverse Accrual	POOL	V-50128	Accounts Re...		
<b>Total Swap-Bookout</b>							1,142,842.00	1,142,842.00
<b>Commissions</b>								
General Journal	2/8/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	2/8/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	2/9/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	2/12/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	2/12/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	2/13/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	2/13/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	2/28/2001	Je-Ch-16a	Accrual	G. Fountain	V-50128	Interest		
General Journal	3/8/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/7/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/8/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/12/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	3/13/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	3/14/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	3/15/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	3/16/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	3/19/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	3/19/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/20/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/20/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	3/21/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/21/2001	WCOM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	3/22/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/23/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/28/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/28/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/28/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/28/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/28/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	3/30/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	3/31/2001	Je-Ch-20	Reverse Accrual	GFIAGHP	V-50128	Exchange ga...		
General Journal	4/2/2001			GOLDEN F...	V-50128	Hedge Gain...		
General Journal	4/2/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	4/3/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	4/3/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	4/4/2001			GOLDEN F...	V-50128	Hedge Gain...		
General Journal	4/4/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	4/5/2001	COM	COMMISSIONS	GOLDEN F...	V-50128	25300/Carr...		
General Journal	4/5/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		
General Journal	4/6/2001	com	COMMISSIONS	HELLESPO...	V-50128	25302/Carr...		

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on Investigations

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Permanent Subcommittee  
on Investigations



4:18 PM

07/16/04

Accrual Basis

Bayoil Supply & Trading, Ltd.  
Transaction Detail By Account  
January 1996 through December 2003

Type	Date	Num	Name	Memo	Class	Split	Amount	Balance
General Journal	4/9/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr ...	Redacted by Permanent Subcommittee on Investigations	
General Journal	4/10/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr ...		
General Journal	4/11/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr ...		
General Journal	4/12/2001	COM	COMMISSIONS	HELLESPO...	V-50128	25302/Carr ...		
Total Commissions							-85,448.40	-85,448.40
Hedge Gain/(Loss)								
General Journal	2/8/2001			GOLDEN F...	V-50128	25300/Carr ...	-2,784.00	-2,784.00
General Journal	2/28/2001	Je-Ck-18a	Accrual	G. Fountain	V-50128	Interest	6,695,610.00	6,692,826.00
General Journal	3/31/2001	Je-Ck-20	Accrual	GHIAGHP	V-50128	Exchange ga...	781,330.00	7,474,156.00
General Journal	4/2/2001			GOLDEN F...	V-50128	-SPUT-	3,163,280.00	10,642,536.00
General Journal	4/4/2001			GOLDEN F...	V-50128	-SPUT-	3,527,230.00	14,169,766.00
General Journal	6/1/2001			HELLESPO...	V-50128	25302/Carr ...	781,330.00	14,951,096.00
General Journal	6/31/2001	Je-Ck-20	Reverse Accrual	POOL	V-50128	Accounts Re...	-7,476,940.00	7,474,156.00
Total Hedge Gain/(Loss)							7,474,156.00	7,474,156.00
Interest Income								
Deposit	3/6/2001	WT	CARR FUTURES	GOLDEN F...	V-50128	25300/Carr ...	152,424.31	152,424.31
General Journal	3/31/2001	Je-Ck-20	Accrual	GFIAGHP	V-50128	Exchange ga...	149,300.67	301,724.98
Deposit	4/5/2001	WT	CARR FUTURES	GOLDEN F...	V-50128	25300/Carr ...	137,370.10	439,095.08
Deposit	4/5/2001	WT	CARR FUTURES	GOLDEN F...	V-50128	25300/Carr ...	11,930.57	451,025.65
General Journal	6/31/2001	Je-Ck-20	Reverse Accrual	POOL	V-50128	Accounts Re...	-149,300.67	301,724.98
Total Interest Income							301,724.98	301,724.98
TOTAL							-3,726,610.33	-3,726,610.33

**TERMS AND CONDITIONS  
OF  
STORAGE SERVICE OF SIDI KERIR DISCHARGED CRUDE OIL**

**1-Scheduling Procedures:**

- a) Scheduling of vessels at Sidi Kerir shall be placed according to the 2005 Transportation Agreement with best endeavor by both parties to accommodate any required changes.
- b) At the time of providing nominations as per Article 2.03 (a) of the 2005 Transportation Agreement - i.e. by the fifth (5th) of the month before the month of arrival at Sidi Kerir - Shipper shall inform SUMED of his intention whether to store the discharged crude for up to 14 days from delivery or to store it for a longer period.
- c) However, for lifting of stored quantity from Sidi Kerir, and unless it is agreed upon in the monthly schedule, Shipper shall provide SUMED with 10 days notice (minimum) of intention to lift such crude with SUMED's doing its best to meet Shipper's request.

**2- Size of Vessels Calling on Sidi Kerir:**

The minimum vessel size at Sidi Kerir shall be 50,000 DWT and minimum cargo size shall be 40,000 Metric Tons.

**3- Laytime and Berth Occupancy:**

- 3.01** SUMED shall be allowed, weather permitting, as laytime at Sidi Kerir the following times in hours:-

<u>VESSEL SIZE</u>	<u>Discharging</u>	<u>Loading</u>
Vessels over 320,000 DWT	62	68
250,000 - 320,000 DWT	52	58
200,000 - 250,000 DWT	46	52
Less than 200,000 DWT	38	44

Permanent Subcommittee on Investigations  
Bayoil Diversions Report  
EXHIBIT #18

**3.02** Shipper shall be allowed the following berth occupancy times at Sidi Kerir in hours:

<u>VESSEL SIZE</u>	<u>Discharging</u>	<u>Loading</u>
Vessels over 320,000 DWT	52	58
250,000 - 320,000 DWT	41	48
200,000 - 250,000 DWT	36	42
Less than 200,000 DWT	28	34

**4- Measurement of Quantities and Quality Determination:**

**a) Measurement of Discharged Quantities:**

Measurement of quantities of crude oil received from Shipper at Sidi Kerir shall be by hand gauging of shore tanks.

**b) Quality Determination:**

Shipper will, at its discretion, appoint a recognized surveying company accepted by SUMED. The ship-board automatic samplers, owned and operated by the surveying company, shall be used to collect representative samples to be taken automatically at the ship's manifold during discharge. Separate samples shall be collected for the bulk of the cargo and the final sea-line fill. The samples collected shall be used for the custody transfer quality determination. All inspection cost including the hire of the manifold automatic sampler shall be for Shipper's account.

The performance criteria should be according to *API CH 8.2*. The manifold samplers must be certified in compliance with Series 150. It is the responsibility of both the ship Master and the Charterer to ensure that the operators use only tested and certified instruments.

In case of sampler failure, the ship composite samples and free water measurements on arrival to Sidi Kerir, carried out by the Shipper's representative and witnessed by SUMED representative shall be used for custody transfer quality determination.

**5- Applicable Storage Service Fees and Settlement:**

For quantities discharged at Sidi Kerir for storage as notified by Shipper pursuant to Section 1(b) above, the hereunder fees shall apply on the actual gross quantities stored in barrels - determined as per Section 4(a) above – minus the loss allowance determined as per Article 6 below. Payments of

such fees shall be effected by Shipper within 5 banking days from receiving SUMED's invoice.

**5.01** The storage period shall be from the date of discharging commencement up to the date of reloading commencement provided however that:

- a- For crude oil scheduled for up to 14 days storage, the minimum storage period shall be 14 days at the fee of US dollars **0.15** per barrel. Unlifted quantities shall be subject to a storage fee of 1 US cent per barrel per day for days in excess of 14 days and up to 30 days.
- b- For crude oil scheduled for more than 14 days storage, the minimum storage period shall be one month (30 days) at a fixed storage fee of US Dollars **0.23** per barrel.
- c- The storage fee for the period exceeding the first 30 days in either of the above options shall be prorated based on US Dollars **0.23** per barrel per month.

**5.02** In no case stored quantity shall be lifted before payment of due storage fees as per 5.01 (a) or (b) above.

**5.03** Fees due for the period exceeding the minimum period specified in Section 5.01 above (i.e. 14 days or 30 days) will be effected by Shipper after the expiration of such period or the end of each calendar month whichever first occurs and within 5 banking days from receiving SUMED's invoice.

**5.04 Impact on Sidi Kerir Cargo Sizes:**

When co-loaded on the same vessel at Sidi Kerir, the stored quantities will not be used to upgrade the cargo size of crudes discharged at Ain Sukhna. i.e. No tariff adjustment will apply on the cargo originally discharged at Ain Sukhna based on the combined quantity resulted from such co-loading.

**6- Loss Allowance:**

Point one percent (0.1%) of the net quantities delivered to Sidi Kerir will be considered as pipeline deemed loss i.e. shipper's stock amount will be credited by 99.9% (ninety nine point nine percent) of net barrels received into Sidi Kerir tanks.

**7- Stock Transfer:**

In case of stock transfer to a third party of quantities discharged at Sidi Kerir, the storage fees as per 5.01 (a) or (b) above should have been paid by the transferor before the stock transfer takes place.

**7.01: Stock Transfer for loading on vessels out of Sidi Kerir:**

- a) When co-loaded on the same vessel at Sidi Kerir, the stock transferred quantities will not be used to upgrade the cargo size of crudes discharged at Ain Sukhna. i.e. No tariff adjustment will apply as a result of such co-loading.
- b) Transferee shall pay SUMED storage fees as per 5.01(c) for the period commencing from the stock transfer date to the date of loading from Sidi Kerir excluding any period paid for by the transferor.
- c) Transferee should nominate a date acceptable to SUMED for lifting the transferred quantity out of Sidi Kerir.

**7.02: Stock Transfer for In-country Delivery Through Pipeline:**

- a) Stock transferred quantity shall be subject to an additional 0.1% loss allowance to that stated in Article 6.0 above (i.e. deemed loss of 0.2% shall apply).
- b) Transferor shall pay SUMED a transportation tariff of US Dollars **1.40** per gross Metric Ton of stock transferred quantity minus the loss allowance in (a) above.

**8- Post Expiry Period:**

In the event that Shipper is not able to lift all or part of the stored quantity on the agreed upon expiry date of storage, then Shipper shall be allowed a period of one month from such expiry to remove his crude oil from storage, and the same terms and conditions contained herein shall apply to such post-expiry period.

**9- Other Terms and Conditions:**

Where not inconsistent with the above terms and conditions of the 2005 Crude Oil Transportation Agreement shall apply.

4:16 PM  
07/16/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
General Ledger  
As of December 31, 2003

V-50128  
(G. fountain, H. Paradise (3)  
& A. Gamma (4)

Type	Date	Num	Name	Memo	Split	Amount	Balance
Cash							0.00
Cash-USTAN Overseas Ltd.							0.00
Total Cash-USTAN Overseas Ltd.							0.00
Short Term Investments -1							0.00
EURO							0.00
Total EURO							0.00
BOV							0.00
Total BOV							0.00
BBL							0.00
Total BBL							0.00
Investment CAI							0.00
Check	2/22/2001	WT	ITALTECH SRL	G. FOUNTAIN	Cash - CAI 1...	1,377,098.40	1,377,098.40
Check	2/22/2001	WT	ITALTECH SRL	G. FOUNTAIN	Cash - CAI 1...	285,575.71	1,662,674.11
Total Investment CAI						1,662,674.11	1,662,674.11
UEB							0.00
Total UEB							0.00
Paribas							0.00
Total Paribas							0.00
Short Term Investments -1 - Other							0.00
Total Short Term Investments -1 - Other							0.00
Total Short Term Investments -1						1,662,674.11	1,662,674.11
Banque Bruxelles Lambert, Geneva							0.00
Bank Bruxelles Lambert-SA-Hedge							0.00
Total Bank Bruxelles Lambert-SA-Hedge							0.00
Banque Bruxelles Lambert, Geneva - Other							0.00
Total Banque Bruxelles Lambert, Geneva - Other							0.00
Total Banque Bruxelles Lambert, Geneva							0.00
Banque Cantonale Vaudoise							0.00
Total Banque Cantonale Vaudoise							0.00
BNP Paribas (UEB) Combined							0.00
Total BNP Paribas (UEB) Combined							0.00
Banque Paribas 084746L							0.00
Total Banque Paribas 084746L							0.00
Petty Cash							0.00
Total Petty Cash							0.00
Cash - Wells Fargo							0.00
Total Cash - Wells Fargo							0.00
Cash in Bank UOB - 76814/1M							0.00
Total Cash in Bank UOB - 76814/1M							0.00
Cash - CAI 1602890F							0.00
Deposit	2/8/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-526,784.84	-526,784.84
Deposit	2/9/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-447,208.26	-974,002.80
Deposit	2/14/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-400,147.28	-1,374,150.18
Deposit	2/23/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-310,500.00	-1,684,650.18
Deposit	2/28/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-219,000.00	-1,903,650.18
General Journal	2/27/2001	wt	CAI	GOLDEN FOUNTAIN	25300/Carr ...	1,089,000.00	-804,650.18
General Journal	2/28/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	310,500.00	-494,150.18
General Journal	3/1/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	1,228,524.00	734,373.82
Deposit	3/5/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-1,056,500.00	-322,129.18
Deposit	3/8/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-1,750,000.00	-2,072,129.18
General Journal	3/7/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	1,746,789.10	-325,339.08
Deposit	3/8/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-1,802,520.00	-1,927,878.08
General Journal	3/9/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	949,880.00	-978,198.08
General Journal	3/12/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	851,000.00	-127,198.08
Deposit	3/13/2001	wt	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-977,336.00	-1,104,534.08
General Journal	3/14/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	917,234.20	-187,299.88
Deposit	3/15/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-108,737.80	-296,037.68
Deposit	3/16/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-2,474,037.80	-2,770,075.28
Deposit	3/19/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-1,532,474.40	-4,302,549.68

Page 1

Permanent Subcommittee on Investigations  
Bayoil Diversions Report  
EXHIBIT #19

4:16 PM

07/16/04

Accrual Basis

Bayoil Supply &amp; Trading, Ltd.

General Ledger

As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
General Journal	3/20/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	1,525,704.75	-2,776,844.93
General Journal	3/21/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	1,274,227.75	-1,502,617.18
Deposit	3/22/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-537,802.25	-2,040,419.43
General Journal	3/23/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	1,403,323.75	-636,895.68
Deposit	3/26/2001	wt	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-791,901.25	-1,428,796.93
General Journal	3/27/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	80,890.25	-1,348,106.68
Deposit	3/28/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-525,763.75	-1,873,890.43
General Journal	3/29/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	3,869,286.25	1,785,376.82
Deposit	3/30/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-517,823.19	1,277,552.83
Deposit	4/2/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-554,475.19	723,077.44
General Journal	4/3/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	1,345,199.88	2,068,277.12
Deposit	4/5/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-4,804,382.94	-2,736,105.82
General Journal	4/8/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	3,702,401.79	866,294.27
General Journal	4/9/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	1,031,848.12	1,898,145.39
General Journal	4/10/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	116,979.88	2,115,125.07
Deposit	4/11/2001	WT	CARR FUTURES	GOLDEN FOUNTAIN	25300/Carr ...	-974,420.32	1,140,704.75
General Journal	4/12/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	336,382.72	1,477,087.47
General Journal	4/16/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	6,202.72	1,483,290.19
General Journal	4/18/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	392,200.00	1,875,490.19
General Journal	4/19/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	286,200.00	2,161,690.19
General Journal	4/20/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	371,000.00	2,532,690.19
General Journal	4/23/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	667,200.00	3,199,890.19
General Journal	4/24/2001	WT	CAI	GOLDEN FOUNTAIN	25300/Carr ...	69,302.40	3,269,192.59
General Journal	4/26/2001	WT	CAI	HELLESPOND PARADISE	25300/Carr ...	1,176,808.60	4,436,102.19
Total Cash - CAI 1602890F						4,436,102.19	4,436,102.19
Cash - Other							0.00
Total Cash - Other							0.00
Total Cash						6,098,776.30	6,098,776.30
Accounts Receivable							0.00
Interest Receivable-\$5mm-CAI							0.00
Total Interest Receivable-\$5mm-CAI							0.00
Loans Receivable							0.00
Total Loans Receivable							0.00
Interest Receivable							0.00
Total Interest Receivable							0.00
Exchange Receivable							0.00
Total Exchange Receivable							0.00
Trade Accounts Receivable							0.00
Total Trade Accounts Receivable							0.00
Accounts Receivable - Other							0.00
General Journal	2/28/2001	Je-Ck-16a	Various	G. Fountain	Interest	48,724,247.75	48,724,247.75
General Journal	2/28/2001	Je-Ck-16b	Various	A. Gamma-4	-SPLIT-	38,800,482.28	87,524,730.01
General Journal	3/31/2001	Je-Ck-04	Various	A. Gamma-4	Estimated C...	323,256.30	87,847,986.31
General Journal	3/31/2001	Je-Ck-05A	Various	G. Fountain	Freight	100,000.00	87,947,986.31
General Journal	3/31/2001	Je-Ck-20	Various	GFIAG/HP	Exchange ga	-573,719.33	87,374,266.98
Deposit	4/2/2001	REV	PACC	A.GAMMA-4	Banque Brui...	+11,964,389.88	75,408,877.10
Deposit	4/9/2001	rev	PACC	A.GAMMA-4	Cash - CAI 1...	-12,011,349.50	63,396,527.60
Deposit	4/9/2001	REV	Diamond Sham...	A.GAMMA-4	Cash - CAI 1...	-1,955,151.16	61,443,376.42
Deposit	4/12/2001	REV	VALERO MAR...	A.GAMMA-4	Cash - CAI 1...	-10,199,614.09	51,243,762.33
Deposit	4/13/2001	REV	Esxon	G.FOUNTAIN	Cash - CAI 1...	-18,733,515.33	32,510,247.00
Deposit	4/20/2001	REV	Esxon	G.FOUNTAIN	Cash - CAI 1...	-16,805,467.26	15,603,779.74
General Journal	5/31/2001	Je-Ck-20	Various	POOL	-SPLIT-	-3,371,600.27	12,232,179.47
General Journal	6/30/2001	Je-Ck-07	Various	A. GAMMA-4	Freight	-323,256.30	11,708,923.17
General Journal	7/31/2001	Je-Ck-24	Various	G. Fountain	Pipeline Cha...	-100,000.00	11,608,923.17
Total Accounts Receivable - Other							11,608,923.17
Total Accounts Receivable						11,608,923.17	11,608,923.17
INVESTMENTS							0.00
UEB - 2200503							0.00
Total UEB - 2200503							0.00
Pipeline Investments							0.00
Total Pipeline Investments							0.00
FID-\$5MM -JUSTAN OVERSEAS LTD							0.00
Total FID-\$5MM -JUSTAN OVERSEAS LTD							0.00

4:15 PM  
07/16/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
General Ledger  
As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Ustak Overseas Ltd.							0.00
Total Ustak Overseas Ltd.							0.00
Southern Futures Investment							0.00
Total Southern Futures Investment							0.00
Merrill Lynch Investment							0.00
Total Merrill Lynch Investment							0.00
INVESTMENTS - Other							0.00
Total INVESTMENTS - Other							0.00
Total INVESTMENTS							0.00
Advances							0.00
Ludmil							0.00
Total Ludmil							0.00
J.IRVING							0.00
Total J.IRVING							0.00
DBC Jr. Advance							0.00
Total DBC Jr. Advance							0.00
Advances - Other							0.00
Total Advances - Other							0.00
Total Advances							0.00
CARR FUTURES							0.00
25303/Carr Futures							0.00
Total 25303/Carr Futures							0.00
25301/Carr Futures							0.00
Total 25301/Carr Futures							0.00
25302/Carr Futures							0.00
General Journal 5/1/2001			HELLESPONT PARADISE 3		Hedge Gain ...	781,330.00	781,330.00
Total 25302/Carr Futures						781,330.00	781,330.00
25300/Carr Futures							0.00
General Journal 2/8/2001			GOLDEN FOUNTAIN		Hedge Gain ...	-2,784.00	-2,784.00
General Journal 4/2/2001			GOLDEN FOUNTAIN		Hedge Gain ...	3,165,500.58	3,163,716.58
General Journal 4/4/2001			GOLDEN FOUNTAIN		Hedge Gain ...	3,525,250.58	6,688,967.12
Total 25300/Carr Futures						6,688,967.12	6,688,967.12
CARR FUTURES - Other							0.00
Total CARR FUTURES - Other							0.00
Total CARR FUTURES						7,470,397.12	7,470,397.12
Receivable-Storage							0.00
Receivable-Storage-USA							0.00
Total Receivable-Storage-USA							0.00
Receivable-Storage - Other							0.00
Total Receivable-Storage - Other							0.00
Total Receivable-Storage							0.00
15340 DAWA							0.00
Total 15340 DAWA							0.00
470/Group							0.00
471/Paribas Futures							0.00
Total 471/Paribas Futures							0.00
470/Paribas Futures							0.00
Total 470/Paribas Futures							0.00
470/Group - Other							0.00
Total 470/Group - Other							0.00
Total 470/Group							0.00



4:16 PM  
07/16/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
General Ledger  
As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
499/Group							0.00
498/Paribas Futures							0.00
Total 498/Paribas Futures							0.00
499/Paribas Futures							0.00
Total 499/Paribas Futures							0.00
498/Group - Other							0.00
Total 499/Group - Other							0.00
Total 499/Group							0.00
490 IPE GROUP							0.00
492 IPE							0.00
Total 492 IPE							0.00
498 IPE							0.00
Total 498 IPE							0.00
497 IPE							0.00
Total 497 IPE							0.00
493 IPE							0.00
Total 493 IPE							0.00
495 IPE							0.00
Total 495 IPE							0.00
490 IPE GROUP - Other							0.00
Total 490 IPE GROUP - Other							0.00
Total 490 IPE GROUP							0.00
490/Group							0.00
496/Paribas Futures							0.00
Total 496/Paribas Futures							0.00
497/Paribas Futures							0.00
Total 497/Paribas Futures							0.00
497/Paribas Futures							0.00
Total 497/Paribas Futures							0.00
496/Paribas Futures							0.00
Total 496/Paribas Futures							0.00
495/Paribas Futures							0.00
Total 495/Paribas Futures							0.00
494/Paribas Futures							0.00
Total 494/Paribas Futures							0.00
493/Paribas Futures							0.00
Total 493/Paribas Futures							0.00
492/Paribas Futures							0.00
Total 492/Paribas Futures							0.00
491/Paribas Futures							0.00
Total 491/Paribas Futures							0.00
490/Paribas Futures							0.00
Total 490/Paribas Futures							0.00
489/Paribas Futures							0.00
Total 489/Paribas Futures							0.00
488/Paribas Futures							0.00
Total 488/Paribas Futures							0.00
489/Group - Other							0.00
Total 490/Group - Other							0.00
Total 490/Group							0.00

4:16 PM  
07/15/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
General Ledger  
As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
466/Group							0.00
466/Paribas Futures							0.00
Total 466/Paribas Futures							0.00
466/Paribas Futures							0.00
Total 466/Paribas Futures							0.00
467/Paribas Futures							0.00
Total 467/Paribas Futures							0.00
468/Group - Other							0.00
Total 468/Group - Other							0.00
Total 466/Group							0.00
465/Group							0.00
464/Paribas Futures							0.00
Total 464/Paribas Futures							0.00
463/Paribas Futures							0.00
Total 463/Paribas Futures							0.00
460/Paribas Futures							0.00
Total 460/Paribas Futures							0.00
461/Paribas Futures							0.00
Total 461/Paribas Futures							0.00
462/Paribas Futures							0.00
Total 462/Paribas Futures							0.00
465/Paribas Futures							0.00
Total 465/Paribas Futures							0.00
465/Group - Other							0.00
Total 465/Group - Other							0.00
Total 465/Group							0.00
Mark to Market							0.00
General Journal	2/28/2001	Je-Ck-16a	Accrual	G Fountain	Interest	6,651,603.05	6,651,603.05
General Journal	3/31/2001	Je-Ck-20	Accrual	GF/AG&HP	Exchange ga...	825,336.95	7,476,940.00
General Journal	5/31/2001	Je-Ck-20	Reverse Accrual	POOL	Accounts Re...	-7,476,940.00	0.00
Total Mark to Market						0.00	0.00
Short Term Investments							0.00
umc							0.00
Total umc							0.00
CAI							0.00
Total CAI							0.00
Short Term Investments - Other							0.00
Total Short Term Investments - Other							0.00
Total Short Term Investments							0.00
Investment Paribas Suisse							0.00
Total Investment Paribas Suisse							0.00
Investments - UOB 76814-5							0.00
Total Investments - UOB 76814-5							0.00
Undeposited Funds							0.00
Total Undeposited Funds							0.00
Cargos in transit							0.00
Inventory Mark to Market							0.00
Total Inventory Mark to Market							0.00
Cargos in transit - Other							0.00
General Journal	1/31/2001	Je-Ck-14	Accrual	G. Fountain	-SPLIT-	1,828,419.47	1,828,419.47
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountain	Interest	-1,828,419.47	0.00
Total Cargos in transit - Other						0.00	0.00
Total Cargos in transit						0.00	0.00

4:16 PM  
07/16/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
General Ledger  
As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Prepaid Items							0.00
Total Prepaid Items							0.00
Forward Commitment-Euros							0.00
Check	2/22/2001	WT	ITALTECH SRL	G. FOUNTAIN	Cash - CAI 1...	-285,575.71	-285,575.71
Check	3/28/2001	WT	UNITED NATIO...	H.PARADISE-3	Cash - CAI 1...	-121,907.00	-407,482.71
Check	3/28/2001	WT	UNITED NATIO...	H.PARADISE-3 /a/ invest	Cash - CAI 1...	-1,804,019.60	-2,011,502.31
Total Forward Commitment-Euros						-2,011,502.31	-2,011,502.31
Trading Investments							0.00
Total Trading Investments							0.00
Intercompany Receivable							0.00
Castle Creek							0.00
Total Castle Creek							0.00
IC-Rec-Mars-Spec-Bay USA Ltd.							0.00
Total IC-Rec-Mars-Spec-Bay USA Ltd.							0.00
DBC PERSONAL CO.							0.00
Total DBC PERSONAL CO.							0.00
Rec-USA, Inc./Castle Creek							0.00
Total Rec-USA, Inc./Castle Creek							0.00
Bayoil Limited-Bermuda							0.00
Total Bayoil Limited-Bermuda							0.00
BAYOIL USA LTD							0.00
Total BAYOIL USA LTD							0.00
Intercompany Receivable - Other							0.00
Total Intercompany Receivable - Other							0.00
Total Intercompany Receivable							0.00
Investment non dep. property							0.00
Total Investment non dep. property							0.00
Fixed Assets							0.00
Office Equipment							0.00
Total Office Equipment							0.00
Accum Depr - Office Equipment							0.00
Total Accum Depr - Office Equipment							0.00
Office Furniture							0.00
Total Office Furniture							0.00
Accum Depr - Office Furniture							0.00
Total Accum Depr - Office Furniture							0.00
Telephone							0.00
Total Telephone							0.00
Accum Depr - Telephone							0.00
Total Accum Depr - Telephone							0.00
Computer							0.00
Total Computer							0.00
Accum Depr - Computer							0.00
Total Accum Depr - Computer							0.00
Leasehold Improvements							0.00
Total Leasehold Improvements							0.00
Accum Depr - Leasehold Imp							0.00
Total Accum Depr - Leasehold Imp							0.00
Autos							0.00
Total Autos							0.00
Accum Depr - Auto							0.00
Total Accum Depr - Auto							0.00

4:16 PM

07/16/04

Accrual Basis

Bayoil Supply &amp; Trading, Ltd.

General Ledger

As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Fixed Assets - Other							0.00
Total Fixed Assets - Other							0.00
Total Fixed Assets							0.00
Escrow Account - HEMBASSY							0.00
Total Escrow Account - HEMBASSY							0.00
Escrow Account - H. GRAND							0.00
Total Escrow Account - H. GRAND							0.00
RESTRICTED FUNDS							0.00
Restricted Funds-Italtch							0.00
Total Restricted Funds-Italtch							0.00
Banca Nazionale del Lavoro-Rest							0.00
Total Banca Nazionale del Lavoro-Rest							0.00
RESTRICTED FUNDS - Other							0.00
Total RESTRICTED FUNDS - Other							0.00
Total RESTRICTED FUNDS							0.00
BANCA COMM ITALIANA -Restricted							0.00
Total BANCA COMM ITALIANA -Restricted							0.00
Fine Arts							0.00
Total Fine Arts							0.00
Long Term Investments							0.00
Total Long Term Investments							0.00
Security Deposits							0.00
Total Security Deposits							0.00
Accounts Payable							0.00
Total Accounts Payable							0.00
Payable-Storage							0.00
Payable-Storage-USA							0.00
Total Payable-Storage-USA							0.00
Payable-Storage - Other							0.00
Total Payable-Storage - Other							0.00
Total Payable-Storage							0.00
Merrill Lynch Payable							0.00
Total Merrill Lynch Payable							0.00
Restricted Guarantees							0.00
Total Restricted Guarantees							0.00
Estimated Cargo Costs Payable							0.00
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountain	Interest	-256,000.00	-256,000.00
General Journal	2/28/2001	Je-Ck-16a	Accrual	G. Fountain	Interest	343,895.27	87,895.27
General Journal	2/28/2001	Je-Ck-16b	Accrual	s. gamma-4H. paradise-3	Accounts Re...	-42,404,581.45	-42,316,686.18
General Journal	2/28/2001	Je-Ck-16b	Accrual	s. gamma-4	Accounts Re...	31,312.78	-42,285,373.40
Check	3/28/2001	WT	UNITED NATIO...	PARADISE-3	Cash - CAJ 1...	36,384,737.20	-5,900,636.20
General Journal	3/31/2001	Je-Ck-04	Reverse Accrual	A. Gamma-4	-SPLIT-	2,428,460.79	-3,472,175.41
General Journal	3/31/2001	Je-Ck-04	Accrual	Gamma 4 & 5	Estimated C...	-1,050,075.00	-4,522,250.41
General Journal	3/31/2001	Je-Ck-05A	Accrual	G. Fountain	Freight	-176,000.00	-4,698,250.41
General Journal	3/31/2001	Je-Ck-05B	Reverse Accrual	H. Paradise-3	Freight	2,208,492.90	-2,492,757.51
General Journal	3/31/2001	Je-Ck-20	Reverse Accrual	OFIAG/SP	Exchange ga...	617,172.68	-1,875,584.83
Check	4/5/2001	EXCHAN...	ITALTECH SRL	G.FOUNTAIN	Cash - CAJ 1	-4,188.25	-1,879,773.08
Deposit	4/20/2001	REV	ARAB PETROL...	G.FOUNTAIN	BNP Paribas...	-343,895.27	-2,223,668.35
Check	4/23/2001	EXCHAN...	ITALTECH SRL	G.FOUNTAIN	Cash - CAJ 1...	-17,747.77	-2,241,416.12
General Journal	5/31/2001	Je-Ck-20	Reverse Accrual	POOL	Accounts Re ..	992,914.15	-1,258,501.97
General Journal	5/31/2001	Je-Ck-08	Reverse Accrual	A. GAMMA-4/5	Accounts Re ..	1,050,075.00	-208,426.97
General Journal	6/30/2001	Je-Ck-10	Reverse Accrual	H. Paradise-3	Freight	-146,193.25	-354,620.22
General Journal	6/30/2001	Je-Ck-11	Reverse Accrual	A. GAMMA-4	Freight	176,000.00	-178,620.22
General Journal	6/30/2001	Je-Ck-24	Accrual	H. Paradise-3	Pipeline Cha...	71,679.02	-106,941.20
Deposit	7/10/2001	REV	ARAB PETROL...	H.PARADISE-3	BNP Paribas...	-71,679.02	-178,620.22
General Journal	7/31/2001	Je-Ck-24	Reverse Accrual	Pool	Pipeline Cha...	724,650.00	546,029.78
General Journal	9/30/2001	Je-Ck-34a	Reverse Accrual	Gerani (pool)	Demurrage	22,455.00	568,484.78
General Journal	12/31/2001	Je-Ck-06	Reverse Accrual	POOL	Demurrage ..	-31,312.78	637,172.00
General Journal	12/31/2001	Je-Ck-06	Reverse Accrual	s. gamma-4	Demurrage ...	25,000.00	562,172.00

4:15 PM

07/16/04

Accrual Basis

Bayoil Supply & Trading, Ltd.  
General Ledger  
As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
General Journal	12/31/2001	Je-Cl-82	Accrual	Pool	Inspection	-2,700.00	558,472.00
Check	3/11/2002	INSP	INSPECTORA...	GERANI	Cash - CAI 1...	1,200.00	559,672.00
Check	3/11/2002	INSP	SOS CSI	A.GAMMA-4	Benque Brac...	1,500.00	562,172.00
Total Estimated Cargo Costs Payable						562,172.00	562,172.00
Loans Payable							0.00
Loan - BBL							0.00
Total Loan - BBL							0.00
Loan - Paribas							0.00
Total Loan - Paribas							0.00
Loan - CAI							0.00
Deposit	1/22/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-1/22-1/31	Cash - CAI 1...	-1,873,000.00	-1,873,000.00
Check	1/31/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-1/22-1/31	Cash - CAI 1...	1,873,000.00	0.00
Deposit	1/31/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-1/31-2/6	Cash - CAI 1...	-1,873,000.00	-1,873,000.00
Check	2/6/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-1/31-2/6	Cash - CAI 1...	1,873,000.00	0.00
Deposit	2/6/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/6-2/12	Cash - CAI 1...	-1,873,000.00	-1,873,000.00
Check	2/12/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/6-2/12	Cash - CAI 1...	1,873,000.00	0.00
Deposit	2/12/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/12-2/13	Cash - CAI 1...	-1,873,000.00	-1,873,000.00
Check	2/13/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/12-2/13	Cash - CAI 1...	1,873,000.00	0.00
Deposit	2/13/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/13-2/22	Cash - CAI 1...	-2,461,000.00	-2,461,000.00
Check	2/22/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/13-2/22	Cash - CAI 1...	2,461,000.00	0.00
Deposit	2/22/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/22-3/9	Cash - CAI 1...	-45,000,000.00	-45,000,000.00
Deposit	2/23/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/23-3/9	Cash - CAI 1...	-2,827,000.00	-47,827,000.00
Deposit	2/27/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/23-3/9	Cash - CAI 1...	1,067,000.00	-46,894,000.00
Deposit	2/28/2001	LOAN	FIXED TERM A...	G. FOUNTAIN-2/28-3/9	Cash - CAI 1...	-591,000.00	-47,485,000.00
Check	3/9/2001	LOAN	FIXED TERM A...	H PARADISE-3	Cash - CAI 1...	820,000.00	-46,665,000.00
Check	3/9/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	45,000,000.00	-3,465,000.00
Check	3/9/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	2,827,000.00	-838,000.00
Check	3/9/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	1,067,000.00	229,000.00
Check	3/9/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	591,000.00	820,000.00
Deposit	3/9/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-43,894,800.00	-42,874,800.00
Check	3/9/2001	LOAN	FIXED TERM A...	H. PARADISE	Cash - CAI 1...	1,278,000.00	-41,596,800.00
Check	3/12/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	43,894,800.00	2,098,000.00
Deposit	3/14/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-43,850,000.00	-41,752,000.00
Check	3/14/2001	LOAN	FIXED TERM A...	ASTRO GAMMA	Cash - CAI 1...	1,065,000.00	-42,817,000.00
Check	3/19/2001	LOAN	FIXED TERM A...	H. PARADISE-3	Cash - CAI 1...	1,995,850.00	-40,841,150.00
Check	3/19/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	43,850,000.00	-3,088,850.00
Check	3/19/2001	LOAN	FIXED TERM A...	ASTRO GAMMA	Cash - CAI 1...	1,065,000.00	4,093,850.00
Deposit	3/19/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-43,850,000.00	-39,758,350.00
Deposit	3/19/2001	LOAN	FIXED TERM A...	ASTRO GAMMA-4	Cash - CAI 1...	-1,065,000.00	-40,841,350.00
Deposit	3/21/2001	LOAN	FIXED TERM A...	ASTRO GAMMA-4	Cash - CAI 1...	-1,210,608.52	-42,051,958.52
Check	3/23/2001	LOAN	FIXED TERM A...	H. PARADISE-3	Cash - CAI 1...	1,995,850.00	-40,056,108.52
Check	3/23/2001	LOAN	FIXED TERM A...	ASTRO GAMMA-4	Cash - CAI 1...	1,065,000.00	-38,971,108.52
Check	3/23/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	43,850,000.00	4,878,893.48
Check	3/23/2001	LOAN	FIXED TERM A...	ASTRO GAMMA-4	Cash - CAI 1...	1,210,608.52	6,089,502.00
Deposit	3/23/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-43,850,000.00	-37,700,700.00
Deposit	3/23/2001	LOAN	FIXED TERM A...	ASTRO GAMMA-4	Cash - CAI 1...	-2,295,808.00	-40,056,508.00
Check	3/26/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	43,850,000.00	3,793,694.00
Check	3/26/2001	LOANS	FIXED TERM A...	ASTRO GAMMA-4	Cash - CAI 1...	2,295,808.00	6,089,502.00
Check	3/26/2001	LOAN	FIXED TERM A...	H. PARADISE-3	Cash - CAI 1...	1,995,850.00	8,084,850.00
Deposit	3/26/2001	LOAN	FIXED TERM A...	ASTRO GAMMA-4	Cash - CAI 1...	-2,295,808.00	5,789,344.00
Deposit	3/26/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-43,850,000.00	-38,060,856.00
Check	3/30/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	43,850,000.00	5,789,344.00
Deposit	3/30/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-44,273,000.00	-38,483,856.00
Check	4/2/2001	LOAN	FIXED TERM A...	ASTRO GAMMA-4	Cash - CAI 1...	2,295,808.00	-36,188,050.00
Check	4/2/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	44,273,000.00	8,084,850.00
Deposit	4/2/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-46,568,600.00	-38,483,850.00
Check	4/3/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	46,568,600.00	8,084,850.00
Deposit	4/3/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-35,000,000.00	-29,915,050.00
Check	4/4/2001	LOAN	FIXED TERM A...	H. PARADISE-3	Cash - CAI 1...	37,475,000.00	10,569,950.00
Check	4/4/2001	LOAN	FIXED TERM A...	H. PARADISE-3	Cash - CAI 1...	652,825.00	11,112,775.00
Check	4/4/2001	LOAN	FIXED TERM A...	H. PARADISE-3	Cash - CAI 1...	918,500.00	12,031,275.00
Check	4/4/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	35,000,000.00	47,031,275.00
Deposit	4/4/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-4,500,000.00	42,531,275.00
Deposit	4/4/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-30,723,000.00	11,808,275.00
Check	4/6/2001	LOAN	FIXED TERM A...	H. PARADISE-3	Cash - CAI 1...	39,007,000.00	50,815,275.00
Check	4/6/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	30,723,000.00	81,538,275.00
Check	4/6/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-30,940,000.00	50,598,275.00
Check	4/6/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	30,940,000.00	81,538,275.00
Deposit	4/6/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-17,167,000.00	64,371,275.00
Check	4/12/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	4,500,000.00	68,871,275.00
Check	4/12/2001	LOAN	FIXED TERM A...	H. PARADISE-3	Cash - CAI 1...	39,021,000.00	107,892,275.00
Check	4/12/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	17,167,000.00	125,059,275.00
Deposit	4/12/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-15,593,500.00	109,465,775.00
Deposit	4/12/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-3,825,000.00	105,640,775.00
Deposit	4/19/2001	LOAN	FIXED TERM A...	G. FOUNTAIN	Cash - CAI 1...	-384,000.00	105,256,775.00

4:16 PM  
07/16/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
General Ledger  
As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Check	4/20/2001	LOAN	FIXED TERM A...	G.FOUNTAIN	Cash - CAI 1...	15,593,500.00	120,850,275.00
Check	4/20/2001	LOAN	FIXED TERM A...	G.FOUNTAIN	Cash - CAI 1...	384,000.00	121,234,275.00
Check	5/1/2001	LOAN	FIXED TERM A...	G.FOUNTAIN	Cash - CAI 1...	3,825,000.00	125,059,275.00
Deposit	5/1/2001	LOAN	FIXED TERM A...	G.FOUNTAIN	Cash - CAI 1...	-3,825,000.00	121,234,275.00
Check	5/2/2001	LOAN	FIXED TERM A...	G.FOUNTAIN	Cash - CAI 1...	3,825,000.00	125,059,275.00
Deposit	5/2/2001	LOAN	FIXED TERM A...	G.FOUNTAIN	Cash - CAI 1...	-3,825,000.00	121,234,275.00
Check	5/3/2001	LOAN	FIXED TERM A...	G.FOUNTAIN	Cash - CAI 1...	3,825,000.00	125,059,275.00
Deposit	5/3/2001	LOAN	FIXED TERM A...	G.FOUNTAIN	Cash - CAI 1...	-3,863,482.02	121,195,792.98
Check	5/4/2001	LOAN	FIXED TERM A...	G.FOUNTAIN	Cash - CAI 1...	3,863,482.02	125,059,275.00
Total Loan - CAI						125,059,275.00	125,059,275.00
Loan - UOB							0.00
Total Loan - UOB							0.00
Loans Payable - Other							0.00
Total Loans Payable - Other							0.00
Total Loans Payable						125,059,275.00	125,059,275.00
Deferred Income							0.00
Total Deferred Income							0.00
Accrued Expenses							0.00
Total Accrued Expenses							0.00
Property Taxes Payable							0.00
Total Property Taxes Payable							0.00
Accrued Payroll							0.00
Total Accrued Payroll							0.00
Payroll Taxes Payable							0.00
Total Payroll Taxes Payable							0.00
Intercompany Payable							0.00
Bayoil USA, Inc. (new)							0.00
Total Bayoil USA, Inc. (new)							0.00
USA LTD							0.00
Total USA LTD							0.00
UC-Pay-Mars-Spec-Bay USA Ltd.							0.00
Total UC-Pay-Mars-Spec-Bay USA Ltd.							0.00
BAYOIL USA, Inc./Castle Creek							0.00
Total BAYOIL USA, Inc./Castle Creek							0.00
IC-Bayoil LTD							0.00
Total IC-Bayoil LTD							0.00
IC-Bayoil SA							0.00
Total IC-Bayoil SA							0.00
Intercompany Payable - Other							0.00
Total Intercompany Payable - Other							0.00
Total Intercompany Payable							0.00
Income Taxes Payable							0.00
Total Income Taxes Payable							0.00
Equity-Unrealized Gain(Loss)							0.00
Total Equity-Unrealized Gain(Loss)							0.00
Prior Period Adjustment							0.00
Total Prior Period Adjustment							0.00
Dividends							0.00
Total Dividends							0.00
Opening Bal Equity							0.00
Total Opening Bal Equity							0.00
Capital Stock							0.00
Total Capital Stock							0.00

4:16 PM

07/15/04

Accrual Basis

## Bayoil Supply &amp; Trading, Ltd.

## General Ledger

As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Retained Earnings							0.00
Total Retained Earnings						3,726,610.93	3,726,610.93
Legal Settlements-Cargos							0.00
Total Legal Settlements-Cargos							0.00
Gross Sales							0.00
Insurance Claims							0.00
Total Insurance Claims							0.00
Price Adjustment							0.00
Total Price Adjustment							0.00
Lightering Charge							0.00
Total Lightering Charge							0.00
Sales - Oil Products							0.00
Service Agreement Commission							0.00
Total Service Agreement Commission							0.00
Sales - Oil Products - Other							0.00
Total Sales - Oil Products - Other							0.00
Total Sales - Oil Products							0.00
Sales - Refined Products							0.00
Total Sales - Refined Products							0.00
Time Value of Money							0.00
Total Time Value of Money							0.00
Commissions							0.00
Total Commissions							0.00
Gross Sales - Other							0.00
Total Gross Sales - Other							0.00
Total Gross Sales							0.00
Legal Expense-Cargos							0.00
Total Legal Expense-Cargos							0.00
Adjustment-Price							0.00
Total Adjustment-Price							0.00
Cost of Sales							0.00
Guarantee Commission							0.00
Total Guarantee Commission							0.00
Broker Comm							0.00
Total Broker Comm							0.00
Secondary Chgs.							0.00
Total Secondary Chgs.							0.00
Exchange gain/loss							0.00
Total Exchange gain/loss							0.00
Pipeline Charges							0.00
Total Pipeline Charges							0.00
Business Development							0.00
Total Business Development							0.00
Service Agreement Fees							0.00
Total Service Agreement Fees							0.00
Demurrage @ Lighter							0.00
Total Demurrage @ Lighter							0.00
Estimated Cargo Costs							0.00
Total Estimated Cargo Costs							0.00
Storage							0.00
Total Storage							0.00

4:16 PM

07/16/04

Accrual Basis

## Bayoil Supply &amp; Trading, Ltd.

## General Ledger

As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Overtime							0.00
Total Overtime							0.00
Customs Fee							0.00
Total Customs Fee							0.00
Crude Purchases							0.00
Total Crude Purchases							0.00
Interest							0.00
Total Interest							0.00
Inspection							0.00
Total Inspection							0.00
Insurance							0.00
Total Insurance							0.00
L/C Charges							0.00
Total L/C Charges							0.00
Freight							0.00
Total Freight							0.00
Demurrage							0.00
Total Demurrage							0.00
C.O.W. Expenses							0.00
Total C.O.W. Expenses							0.00
Finance Charges							0.00
Total Finance Charges							0.00
Agent Commissions							0.00
Total Agent Commissions							0.00
Commissions - Russia							0.00
Total Commissions - Russia							0.00
Lightering Charges							0.00
Total Lightering Charges							0.00
Miscellaneous Charges							0.00
Total Miscellaneous Charges							0.00
Cost of Sales - Other							0.00
Total Cost of Sales - Other							0.00
Total Cost of Sales							0.00
EMPLOYEE ADVANCES							0.00
LD							0.00
Total LD							0.00
DBC							0.00
Total DBC							0.00
EMPLOYEE ADVANCES - Other							0.00
Total EMPLOYEE ADVANCES - Other							0.00
Total EMPLOYEE ADVANCES							0.00
Uncategorized Expenses							0.00
Total Uncategorized Expenses							0.00
Automobile Expense							0.00
Gas							0.00
Total Gas							0.00
Insurance							0.00
Total Insurance							0.00
Parking							0.00
Total Parking							0.00



4:15 PM

07/16/04

Accrual Basis

## Bayoil Supply &amp; Trading, Ltd.

## General Ledger

As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Personal Car Mileage							0.00
Total Personal Car Mileage							0.00
Transportation							0.00
Total Transportation							0.00
Vehicle Expense							0.00
Total Vehicle Expense							0.00
Automobile Expense - Other							0.00
Total Automobile Expense - Other							0.00
Total Automobile Expense							0.00
Bank Service Charges							0.00
Total Bank Service Charges							0.00
Contributions							0.00
Total Contributions							0.00
Depreciation Expense							0.00
Office Equipment							0.00
Total Office Equipment							0.00
Office Furniture							0.00
Total Office Furniture							0.00
Computer							0.00
Total Computer							0.00
Telephone							0.00
Total Telephone							0.00
Leasehold Improvements							0.00
Total Leasehold Improvements							0.00
Automobiles							0.00
Total Automobiles							0.00
Depreciation Expense - Other							0.00
Total Depreciation Expense - Other							0.00
Total Depreciation Expense							0.00
Entertainment							0.00
Total Entertainment							0.00
Insurance							0.00
Total Insurance							0.00
Maintenance							0.00
Total Maintenance							0.00
Meals							0.00
Total Meals							0.00
Miscellaneous							0.00
Income							0.00
Total Income							0.00
Miscellaneous - Other							0.00
Total Miscellaneous - Other							0.00
Total Miscellaneous							0.00
Office Expense							0.00
Accounting London							0.00
Total Accounting London							0.00
Internet							0.00
Total Internet							0.00
Fax							0.00
Total Fax							0.00

4:15 PM

## Bayoil Supply &amp; Trading, Ltd.

## General Ledger

07/16/04

As of December 31, 2003

Accrual Basis

Type	Date	Num	Name	Memo	Split	Amount	Balance
Insurance - National							0.00
Total Insurance - National							0.00
Accounting							0.00
Total Accounting							0.00
Bank Charges							0.00
Total Bank Charges							0.00
Business Gifts							0.00
Total Business Gifts							0.00
Computer Supplies & Service							0.00
Total Computer Supplies & Service							0.00
Consulting							0.00
GDP							0.00
Total GDP							0.00
Bulcom							0.00
Total Bulcom							0.00
UMC							0.00
Total UMC							0.00
Consulting - Other							0.00
Total Consulting - Other							0.00
Total Consulting							0.00
Conventions							0.00
Total Conventions							0.00
Corporate							0.00
Bayoil Supply Trading Ltd							0.00
Total Bayoil Supply Trading Ltd							0.00
Bayoil (USA) Ltd							0.00
Total Bayoil (USA) Ltd							0.00
Leeward							0.00
Total Leeward							0.00
Bermuda							0.00
Total Bermuda							0.00
Morgan							0.00
Total Morgan							0.00
Corporate - Other							0.00
Total Corporate - Other							0.00
Total Corporate							0.00
Delivery							0.00
Total Delivery							0.00
Director's Fees							0.00
Total Director's Fees							0.00
Foreign Exchange Rate							0.00
Total Foreign Exchange Rate							0.00
Insurance - General							0.00
Total Insurance - General							0.00
Insurance - Life							0.00
Total Insurance - Life							0.00
Insurance - Medical							0.00
Total Insurance - Medical							0.00
Legal							0.00
Total Legal							0.00

4:16 PM

07/16/04

Accrual Basis

## Bayoil Supply &amp; Trading, Ltd.

## General Ledger

As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Market Info Service							0.00
Total Market Info Service							0.00
Memberships							0.00
Total Memberships							0.00
Miscellaneous Office							0.00
Total Miscellaneous Office							0.00
Office Entertainment							0.00
Total Office Entertainment							0.00
Office Supply							0.00
Total Office Supply							0.00
Overhead							0.00
Total Overhead							0.00
Personnel Expense							0.00
Total Personnel Expense							0.00
Postage							0.00
Total Postage							0.00
Professional Fees							0.00
Total Professional Fees							0.00
Professional Org. Fees							0.00
Total Professional Org. Fees							0.00
Recruiting							0.00
Total Recruiting							0.00
Relocation							0.00
Total Relocation							0.00
Reorganization Expense							0.00
Total Reorganization Expense							0.00
Seminars							0.00
Total Seminars							0.00
Storage							0.00
Total Storage							0.00
Subscriptions							0.00
Total Subscriptions							0.00
Telephone							0.00
Total Telephone							0.00
Telex							0.00
Total Telex							0.00
Temporary Employment							0.00
Total Temporary Employment							0.00
Tuition							0.00
Total Tuition							0.00
Utilities							0.00
Total Utilities							0.00
Office Expense - Other							0.00
Total Office Expense - Other							0.00
Total Office Expense							0.00
Payroll Expenses							0.00
Tax UK							0.00
Total Tax UK							0.00
Payroll Expenses - Other							0.00
Total Payroll Expenses - Other							0.00
Total Payroll Expenses							0.00

4:16 PM  
07/16/04  
Accrual Basis

Bayoil Supply & Trading, Ltd.  
General Ledger  
As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Rent							0.00
Total Rent							0.00
Rent - BAH							0.00
Total Rent - BAH							0.00
Repairs							0.00
Total Repairs							0.00
Tax							0.00
Swiss Interest							0.00
Total Swiss Interest							0.00
Tax - Other							0.00
Total Tax - Other							0.00
Total Tax							0.00
Travel							0.00
Miscellaneous							0.00
Total Miscellaneous							0.00
Entertainment							0.00
Total Entertainment							0.00
Meals							0.00
Total Meals							0.00
Airline Travel							0.00
Total Airline Travel							0.00
Lodging							0.00
Total Lodging							0.00
Taxi / Parking							0.00
Total Taxi / Parking							0.00
Travel - Other							0.00
Total Travel - Other							0.00
Total Travel							0.00
Utilities							0.00
Gas and Electric							0.00
Total Gas and Electric							0.00
Water							0.00
Total Water							0.00
Utilities - Other							0.00
Total Utilities - Other							0.00
Total Utilities							0.00
Inland Revenue-Tax Refund							0.00
Total Inland Revenue-Tax Refund							0.00
Put Option							0.00
Total Put Option							0.00
WTI - Hedge - G(L) - EFP							0.00
Total WTI - Hedge - G(L) - EFP							0.00
Dividend Income							0.00
Total Dividend Income							0.00
Realized Gain(Loss)							0.00
Total Realized Gain(Loss)							0.00
Mara-Spec-WTI-Hedge Position							0.00
Total Mara-Spec-WTI-Hedge Position							0.00
Swap-Bookout							0.00
Total Swap-Bookout							0.00

4:15 PM

Bayoil Supply &amp; Trading, Ltd.

07/16/04

## General Ledger

Accrual Basis

As of December 31, 2003

Type	Date	Num	Name	Memo	Split	Amount	Balance
Interest Expense							0.00
Total Interest Expense							0.00
Unrealized Gain/(Loss)							0.00
Total Unrealized Gain/(Loss)							0.00
Commissions							0.00
Total Commissions							0.00
Inventory Gain/Loss							0.00
Total Inventory Gain/Loss							0.00
Forward Commitment Gain / (Loss)							0.00
Total Forward Commitment Gain / (Loss)							0.00
Hedge Gain / (Loss)							0.00
Total Hedge Gain / (Loss)							0.00
Interest Income							0.00
Total Interest Income							0.00
Other Income							0.00
Total Other Income							0.00
Other Expenses							0.00
Villa Property Tax							0.00
Total Villa Property Tax							0.00
SA Loans							0.00
Total SA Loans							0.00
Villa Insurance							0.00
Total Villa Insurance							0.00
Villa Renovation							0.00
Total Villa Renovation							0.00
Villa Corporate							0.00
Total Villa Corporate							0.00
Villa Maintenance							0.00
Total Villa Maintenance							0.00
Villa Expenses							0.00
Total Villa Expenses							0.00
Other Expenses - Other							0.00
Total Other Expenses - Other							0.00
Total Other Expenses							0.00
No acct							0.00
Total no acct							0.00
TOTAL						152,514,852.21	152,514,852.21

10/12/2001 12 13 FAX 1 212 963 3778

DPA

USA

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NEU  
00017008

SECURITY COUNCIL COMMITTEE ESTABLISHED  
BY RESOLUTION 661 (1990) CONCERNING THE  
SITUATION BETWEEN IRAQ AND KUWAIT

S/AC.25/2001/COMM 465  
12 October 2001  
ORIGINAL ENGLISH

LETTER DATED 8 OCTOBER 2001 FROM THE PERMANENT OBSERVER MISSION OF  
SWITZERLAND TO THE UNITED NATIONS ADDRESSED TO THE CHAIRMAN

Excellency,

*I refer to your letter of 8 May 2001 in which you forwarded to me a report by the Oil Overseers concerning an alleged irregularity involving the company Glencore International AG registered in Switzerland.*

*The competent Swiss authority, the State Secretariat for Economic Affairs, has investigated Glencore's activities mentioned in the report of the Oil Overseers. Its report is in the enclosure to this letter. It concludes that no evidence has been found that Glencore intended to divert the shipment of oil from its original destination and sell it in Europe.*

*Please accept, Excellency, the assurances of my highest consideration.*

Yours sincerely,



Jens C.A. Stachelin  
Ambassador

Permanent Subcommittee on Investigations

Bayoil Diversions Report

EXHIBIT #20

10/12/2001 12 13 FAX 1 212 963 3778

DPA

+ USA

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-1-

ORIGINAL: FRENCH

## State Secretariat for Economic Affairs

## Report of investigation

Irregularity in the course of an oil transaction under the  
"oil-for-food" programme involving Glencore International  
AG, Baar, Switzerland

By letter dated 8 May 2001 (S/AC.25/2001/OC.217), the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait (hereinafter referred to as "the Committee") requested the Swiss authorities to investigate the Swiss company named above (hereinafter referred to as "the company") and to provide the results of their investigation of the facts detailed in paragraph 1 below, as reported by the United Nations Oil Overseers (hereinafter referred to as "the Overseers"):

## 1. Facts reported to the Swiss authorities

In the course of executing contract M/09/44 approved on 2 February 2001 under the "oil-for-food" programme, the company discharged a shipment of 1 million barrels of Iraqi crude oil from the vessel "Front Maple" in Croatia, whereas the commercial documents, particularly the letter of credit, drawn up by the company for calculating the purchase price of the crude oil gave the destination as the United States. Since the company had paid the purchase price for Iraqi crude oil destined for the United States market, in other words, some \$US 3 million less than the price for crude oil destined for the European market, it unlawfully enriched itself by this amount. When questioned on the subject by the Overseers, the company stated that the cargo was simply being stored in transit on an intermediate basis in the free port of Omisalj in Croatia, pending its final shipment to the United States, and that the "transshipment prohibited" clause would be violated only if oil was transferred directly from one ship to another, not if it was stored on an intermediate basis in a shore tank, as had happened in the present case.

At the Overseers' request, the company amended the commercial documents to indicate "Europe" as the destination, rather than the "United States", so that it could pay the United Nations authorities the difference in price between oil destined for the United States and oil destined for Europe.

## 2. Investigation of the company by the Swiss authorities

On the basis of the information communicated to them by the Committee (see para 1 above), the competent Swiss authorities, namely, the State Secretariat for Economic Affairs, began an investigation into the company on 25 May 2001. The company was asked to give its explanation of the facts reported by the United Nations and to provide all the necessary documentation in its defence.

On 7 June 2001, the company's lawyer replied in detail to the Secretariat's questions and submitted copious documentation. Basically, the following information was provided:

The M/09/44 contract is the only contract concluded between the company and the Iraqi authorities (State Oil Marketing Organization). Eight shipments have been

0157210

-2-

made, including the 28 February 2001 (date of the bill of lading) shipment (hereinafter referred to as "the shipment") on the vessel "Front Maple" of 1,024,790 barrels which were discharged in Croatia

By fax dated 23 April 2001 addressed to the Overseers, the company Glencore UK Ltd, acting on behalf of the Swiss company, gave its explanation of the shipment the company had purchased the crude oil for delivery and use in the United States, which explained why the price had been calculated on the basis of the United States destination indicated in the letter of credit. After being lifted in the Turkish port of Ceyhan, the crude oil had been stored on an intermediate basis in the free port of Omusalj in Croatia, pending more favourable market conditions for its final shipment to the United States. Glencore UK Ltd took the position that intermediate storage of the shipment prior to final delivery to the United States did not constitute a prohibited transshipment or violate United Nations regulations in any other way

According to Glencore UK Ltd, oil shipments from Iraq under the "oil-for-food" programme were, in practice, regularly transshipped from one vessel to another in the port of Fujairah in Saudi Arabia or had transited through the pipelines of the SUMED system in the Mediterranean before their final delivery to Europe or the United States, without the United Nations ever intervening on grounds of a possible violation.

The Secretariat is not in a position to verify the accuracy of this last allegation: only the United Nations authorities can do this. In any case, the situations mentioned do not apply in the present case

Lastly, Glencore UK Ltd alleges that, following the company's 23 April 2001 fax, the United Nations published an amendment to its regulations whereby it prohibited transshipment through SUMED pipelines

If this is true, it would suggest that the term "transshipment" was not sufficiently clear

### 3. Conclusion

3.1 The investigation by the Swiss authorities found no evidence that the company intended to sell the oil in Europe. While no such evidence was found, some doubts remain, in that the investigation established that the oil was indeed discharged in Europe and transferred to a free port. However, such an operation constitutes neither transshipment from one vessel to another (a practice which the United Nations apparently allows) nor transit through SUMED pipelines (a practice which the United Nations appears to have allowed initially but then prohibited)

3.2 Since the company, in order to conform to the terms of the "oil-for-food" programme, amended the commercial documents and paid the United Nations the difference between the price originally agreed and the price actually owed, the Secretariat does not consider it appropriate to institute procedures for the revocation of the 9 September 1996 authorization to purchase Iraqi oil products

Bern, 18 September 2001/Doc. No 277612.1



ملحق رقم ( ٤ )

**مبلغ الاسترجاع (Surcharge)**

في إجراء القصد منه حصول النظام البائد على مبالغ نقدية تم فرض مبلغ الاسترجاع على الكميات المحملة من النفط الخام بموجب مذكرة التقاهم وأثناء المعلومات الخاصة بمبلغ الاسترجاع .

**أولاً : نسب مبلغ الاسترجاع**

- اتخذ قرار في آب/٢٠٠٠ يفرض مبلغ استرجاع على الشحنات التي يتم تحميلها اعتباراً من ١٠/٩/٢٠٠٠ بمبلغ ١٠ سنت للبرميل لكافة الأسواق (من منتصف المرحلة الثامنة ولغاية نهاية المرحلة) .
- عدل المبلغ اعتباراً من بداية المرحلة التاسعة في شهر كانون الأول/٢٠٠٠ ليكون ٣٠ سنت للبرميل للسوق الأمريكية و ٢٥ سنت للبرميل للأسواق الأخرى واستمرت لغاية نهاية المرحلة الحادية عشر .
- عدل المبلغ اعتباراً من ٢٠٠٢/٥/٣٠ ليصبح ١٥ سنت للبرميل لكافة الأسواق (من بداية المرحلة الثانية عشر ولغاية نهاية المرحلة) .
- ألغى مبلغ الاسترجاع اعتباراً من الشحنات التي ترفع في ١٠/٩/٢٠٠٢ بداية المرحلة الثالثة عشر .

**ثانياً : الشركات النفطية من أصحاب المصافي :**

عندما تم فرض مبلغ الاسترجاع في المرحلة الثامنة كان موقف الشركات النفطية من أصحاب المصافي (توتال ، ألب ، بتروبراس ، لاجب ، ريسول ، لو ، أم ، في ، تيراش وغيرها) يتمثل بعدم استعداده للدفع لكون ذلك يتعارض مع قوانين دولها وقرارات الأمم المتحدة بما أن التبليغ بالدفع كان في شهر آب (لشحنات التي ترفع اعتباراً من ١٠/٩/٢٠٠٠) فقد كانت هذه الشركات قد رشحت لشهر أيلول والأشهر اللاحقة من المرحلة الثامنة لذلك تم للتغاضي عن موقفها الرافض بالدفع حسب موافقة وزير النفط وقتذاك وتقرر تبليغها بالاستمرار بالتحميل لضمان استمرارية التنفيذ . وهكذا استمرت هذه الشركات بالتحميل لغاية نهاية المرحلة الثامنة في ١٢/٥/٢٠٠٠ وتوقف التعامل معها في المراحل اللاحقة لحين إلغاء مبلغ الاسترجاع في ١٠/٩/٢٠٠٢ عندما دعت الحاجة للتعامل معها مجدداً بعد تذكرو التحميل بشكل واضح ووصول معدلات التصدير إلى أدنى مستوياتها .

**ثالثاً : الشركات والشخصيات والجهات الأخرى:**

أما بالنسبة للشركات والجهات الأخرى من أصحاب التخصيص فقد أعربت عن استعدادها لدفع مبلغ الاسترجاع واستمر التعامل معها خلال المراحل اللاحقة للمرحلة الثامنة وأن كان بعض هذه الجهات قد امتنع عن دفع مبلغ الاسترجاع للمرحلة الثامنة مدعياً بأن تبليغهم بالدفع للشحنات التي ترفع في ١٠/٩/٢٠٠٠ جاء متأخراً وأنهم باعوا الكميات المخصصة لهم إلى شركات أخرى قبل تبليغهم بالدفع وبذلك لا يتسنى لهم دفع ١٠ سنت للبرميل .

Permanent Subcommittee on Investigations

Bayoil Diversions Report

EXHIBIT #21

#### رابعاً : تحصيل مبالغ الاسترجاع :

أن الإلتزام الوحيد من قبل الجهات المتعاقدة معنا هو التعهد الشخصي بالتسديد ولم تكن هناك أي طريقة أخرى لإلزامها بالنفع بسبب حساسية وسرية العملية .  
ولكن من خلال الجهود الحثيثة المبذولة تم التمكن من تحصيل مبلغ ٢٢٨ مليون دولار مناصلاً ٢٦٣ مليون دولار أي نسبة تحصيل بلغت حوالي ٨٧% بعد استخدام شتى طرق التسديد منها التسديد في السفارات العراقية في الخارج لكون بعض الشركات تخشى التسديد من خلال مصارف لضمان عدم إنكشاف أمرها وتعرضها للمسائلة القانونية ومنها التسديد نقداً .  
أما بصدد المبالغ المتيقنة بذمة الشركات المتعاقدة معنا والبالغة ٣٥ مليون دولار فإن قسم من هذه الشركات كانت قد رفضت التسديد كما أوضحنا في ثالثاً أعلاه والقسم الآخر من هذه الشركات رفضت التسديد لأجل الاحتفاظ بالمبالغ المدينة لها توقعاً منهم صدور توجيه بإعائتهم من هذه المبالغ ، علماً بأن جهود تحصيل المبالغ كانت مستمرة معهم لحين حصول الظرف الراهن .

أن معظم المبالغ التي تم تحصيلها جرى تسديدها في المصارف والجهات التالية : -

- ١ - البنك الأهلي / عمان .
- ٢ - فرنسبنك / لبنان .
- ٣ - سردار بنك / لبنان .
- ٤ - البنك المركزي العراقي / بغداد .
- ٥ - مصرف الرافدين / بغداد الفرع الرئيسي .
- ٦ - السفارات العراقية في الخارج ( موسكو ، أثينا ، القاهرة ، أنقرة ، صنعاء ، فينتام ، ماليزيا ، روما ، فيينا ، دمشق ، جنيف ) .
- ٧ - شركة الوصل وبابل / الإمارات .
- ٨ - جرى تسديد مبلغ ٨٤٠ ألف دولار عبثاً من خلال تملك دار لصالح السفارة العراقية في موسكو ومن ثم استخدمها كمدرسة عراقية ( المبالغ التي كانت بذمة السيد جبرنوفسكي والذي ادعى بأنه غير قادر على تسديدها نقداً فقبلت الدار بالمقابل ) .



شركة تسويق النفط

كشف بخلاصة المبالغ المسترجعة والمبالغ المتبقية بنمة الشركات

المرحلة	الكمية المعمة الف دولار	المبلغ المستحق الف دولار	المبلغ المستد الف دولار	المبلغ المتبقى الف دولار	محل مبلغ الاسترجاع دولار ليرماني
الثامنة 8	١٨٥٠٦١٨	١٨٥٠٦٢	١١٠١٩٧	٧٠٣٦٥	٠,١٠
التاسعة 9	٢٩١٠٩٩٦	٨١٥٠٨٨	٧٢٠١٨٧	٩٤٤٠١	٠,٢٨
العاشر 10	٣٠١٠١٨٨	٨٥٠٦٩٩	٨٢٠١٧١	٣٥٢٨	٠,٢٨
الحادية عشر 11	٢٢٨٠٩٤٣	٦٤٠٠٥٩	٥٣٠٩٥٩	١٠٠١٠٠	٠,٢٨
الثانية عشر 12	٨٩٠٣٣١	١٣٤٤٠٠	٨٥٠١٥	٤٠٨٨٥	٠,١٥
	١٠٠٩٧٠٧٦	٢٦٣٠٣٠٨	٢٢٨٠٠٢٨	٣٥٠٢٧٩	

### Surcharge

In an action the purpose of which the acquirement by the previous regime of cash/money, a surcharge was implemented on the crude oil according to an understanding of the following details.

#### First- Percentage of the surcharge

1. A decision was made in August 2000 requiring a surcharge on the shipments that will be loaded on ships starting September 1, 2000, the surcharge being \$.10 per barrel for all markets. (From the middle of the 8<sup>th</sup> phase until the end).
2. The surcharge was adjusted starting with the 9<sup>th</sup> phase in December 2000 to be \$.30 per barrel for the American market and \$.25 for the others. (Continued to the end of the 11<sup>th</sup> phase)
3. It was adjusted beginning May 30, 2002, to become \$.15 per barrel for all markets (from the beginning of the 12<sup>th</sup> phase until the end)
4. The surcharge was cancelled starting with the shipments that would be loaded September 2002, the beginning of the 13<sup>th</sup> phase.

#### Second- Refinery owning oil companies

When the surcharge was instituted during the 8<sup>th</sup> phase, the responses of the refinery oil companies (Total, Alf, Petrobras, Agipi, Repsol, OMFI, Teparash, and others) was their unwillingness to pay because it contradicts the laws of their countries and the resolution of the United Nations. And because they were told about the surcharge payments in August for the shipments to be shipped September 1, 2000; those companies were to be nominated to buy oil for September and the following months of the 8<sup>th</sup> phase. Their unwillingness to pay was overlooked. In agreement with the Minister of Oil, they were told to continue loading shipments to continue execution of the program. And so, these companies continued loading until the end of the 8<sup>th</sup> phase by December 5, 2000.

Dealing with those companies stopped during the following phases until the surcharge was cancelled on September 1, 2002, when it became necessary for Iraq to deal with those companies after the delays in shipping and the decline of the amounts of exports became an all time low.

#### Third- Other Factors/ Personalities

Companies and other entities (that do not own refineries) agreed to pay the surcharge, and dealing with them continued after the 8<sup>th</sup> phase. Although some of these companies declined to pay the surcharge during the 8<sup>th</sup> phase because they were told of the shipments that will be shipped on September on a late phase, and they had already sold their share of the oil to other companies before they had been told about the surcharge.

#### Fourth- Collecting the surcharge

The only way to guarantee payment was personal guarantee (or word), and there was no other way to force them to pay because of the sensitivity and secrecy of the operation. But, with the continuous efforts they were able to collect \$228 million of \$263 million owed (which is 87%). This was using different methods of payments, including paying with cash at the Iraqi embassies because those companies were afraid to pay at banks because they did not want to be discovered or legally liable.

About the amounts that are still owed to us, which total \$35 million, some of those companies refused to pay as we explained in paragraph 3, and some of them wanted to keep the money and expected they would be forgiven for payment. (Keeping in mind that the efforts to collect the money continued until the present circumstances). Most of the money collected was paid in the following banks and locations:

Al Ahli Bank/ Oman  
 French bank/ Lebanon  
 Sardar bank/ Lebanon  
 Iraqi Central Bank/ Baghdad  
 Al Rafidayn Bank/ Baghdad main branch  
 Iraqi Embassies (Moscow, Athens, Cairo, Ankara, San'aa, Vietnam, Malaysia, Rome, Vienna, Damascus, Geneva)  
 Company of Wasil and Babel/ United Arab Emirates

An amount of \$840,000 was collected through giving the ownership of a house to the Iraqi embassy in Moscow; this house was used as an Iraqi school (the amount Mr. Gernowisky owed was paid with his house as a substitution because he claimed he could not pay with cash).

Ministry of Oil  
List of Surcharges per Agreement

Difference (\$)	Amount Paid (\$)	Total Amount Owed (\$)	Surcharge- per agreement	# of Barrels	Contract #	Buyer	Phase
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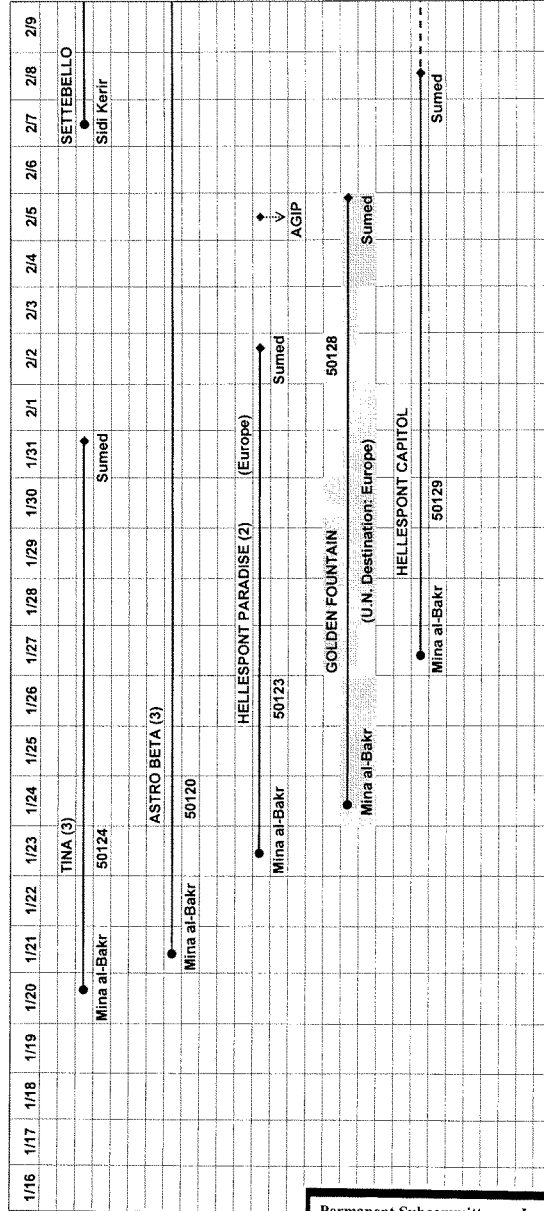


شركة تسويق النفط  
مخلف بمبالغ الاسترجاع المستحقة والمستددة لكافة المراحل حسب الشركة  
للفترة من:

معدل مبلغ الاسترجاع/المرحلة	المبلغ المتبقى/دولار	المبلغ المستد/دولار	المبلغ المستحق/دولار	الربيل	العملة /	رقم العقد	المشتري	المرحلة
0.10	80,611.00	0.00	80,611.00	806,124	M/08/44	ETAP		8
0.10	284,521.00	0.00	284,521.00	2,845,229	M/08/115	EUROL		8
0.10	50,273.00	0.00	50,273.00	502,736	M/08/46	EXPANSION		8
0.25	0.00	250,089.75	250,089.75	1,000,359	M/09/125	FADI OIL INTRNATIONAL		10
0.25	0.00	491,763.75	491,763.75	1,967,055	M/09/85	FADI OIL INTRNATIONAL		9
0.25	0.00	498,650.00	498,650.00	1,994,600	M/11/104	FADI OIL INTRNATIONAL		11
0.25	-0.27	154,556.27	154,556.00	618,224	M/11/53	FADI OIL INTRNATIONAL		11
0.30	0.00	1,213,146.30	1,213,146.30	4,043,821	M/09/51	FAL OIL		9
0.30	17.00	299,983.00	300,000.00	1,000,000	M/09/57	FEDERALINITYTORGOVTY DOM(FTD)		10
0.10	195,483.00	0.00	195,483.00	1,954,834	M/08/67	FENAR		8
0.27	0.00	2,212,486.90	2,212,486.90	8,048,812	M/10/09	FENAR		10
0.30	0.00	621,471.60	621,471.60	2,071,572	M/10/96	FENAR		11
0.26	0.00	1,019,130.30	1,019,130.30	3,397,101	M/11/65	FENAR		11
0.26	0.00	203,538.45	203,538.45	1,356,923	M/11/65	FENAR		12
0.25	0.00	418,187.00	418,187.00	1,672,748	M/11/67	FENAR		11
0.15	416.43	597,025.02	597,441.45	3,982,943	M/12/39	FENAR		12
0.10	-4,604.00	200,000.00	195,396.00	1,953,968	M/08/04	GAZFROM		8
0.10	0.00	367,930.00	367,930.00	3,679,310	M/08/113	GENMAR		8
0.10	313.00	95,070.00	95,383.00	953,833	M/08/99	GENMAR		8
0.30	21.70	1,183,769.00	1,183,790.70	3,945,969	M/10/20	GHASSAN SHALLAH		10
0.16	0.00	50,000.00	50,000.00	200,000	M/11/28	GHASSAN SHALLAH		11
0.16	148,997.50	273,425.00	422,422.50	2,816,150	M/11/28	GHASSAN SHALLAH		12
0.27	0.00	3,222,780.70	3,222,780.70	12,106,613	M/09/44	GLENCORE		9

إعداد: دائرة المحاسبة - إحصائيات القطاع

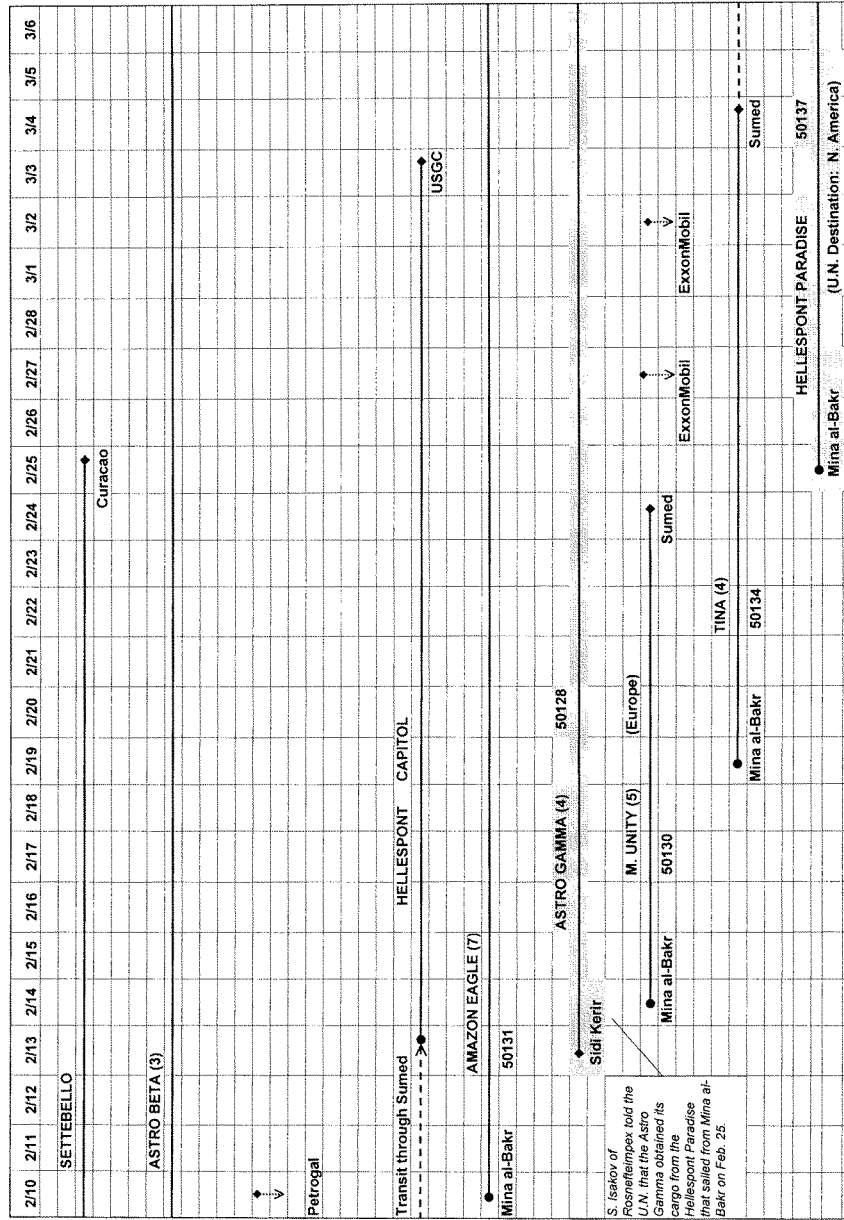
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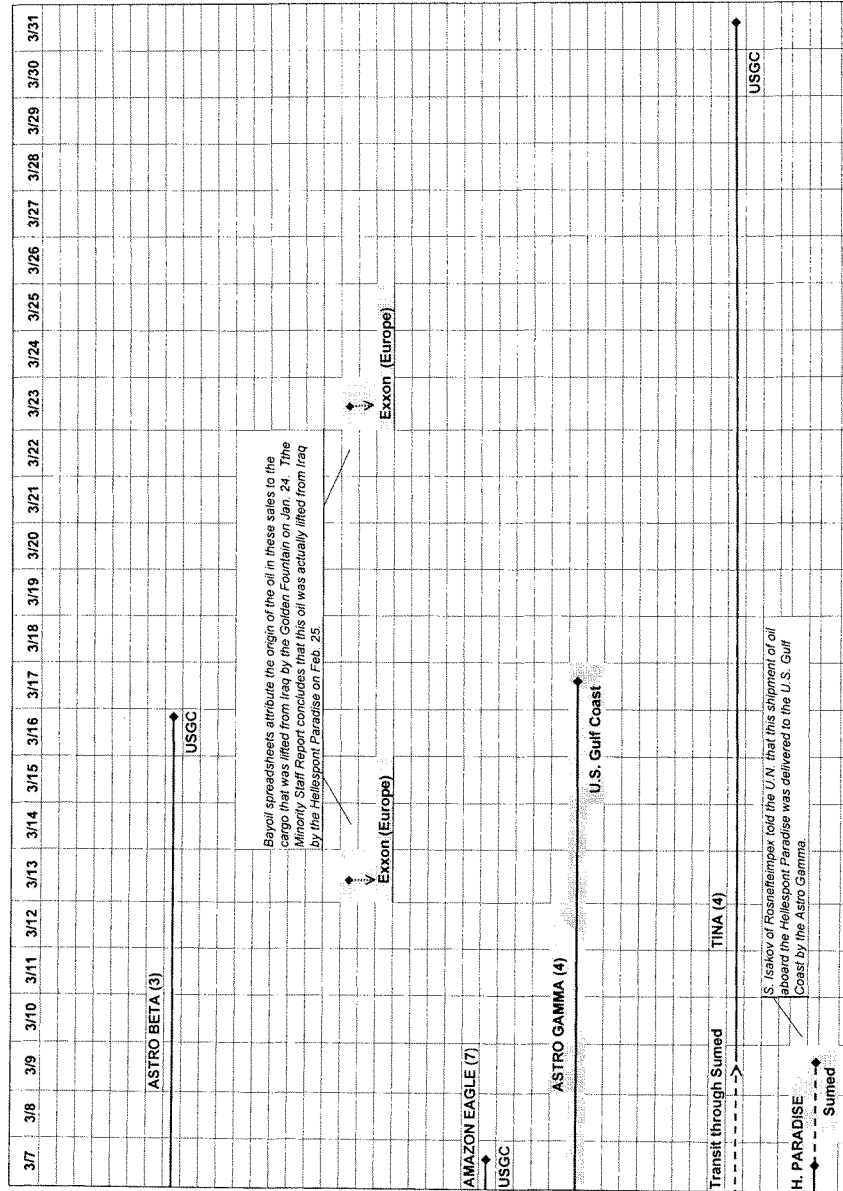


### Bayoil Shipments of Iraqi Oil January - March, 2001

Chart Prepared by:  
Minority Staff, Senate Permanent Subcommittee on  
Investigations  
Data Source: Bayoil records







Translation answer to Mr. Z

Embassy of the Republic of Iraq  
Moscow  
No. 464  
15 Dec. 1998

To Mr. Z  
Leader of LDPR

Dear Friend:

In answer of your letter address to Mr. Tariq Azis, Deputy Prime Minister of Iraq, I have the honour to convey to you the apology of the Iraqi side that Iraq cannot do any deals with American companies with sincerely

Dr. Hassan Fifahmi Juma  
Ambassador of Republic of Iraq, Moscow

